



December 2023

SMALL BUSINESS ADMINISTRATION

Procedures for Reporting on Veteran- Owned Businesses Need Improvement

Accessible Version

GAO Highlights

Highlights of [GAO-24-106071](#), a report to congressional requesters

Why GAO Did This Study

Approximately 6 percent of businesses with paid employees were veteran-owned in 2020, but veteran entrepreneurs may face challenges in accessing small business capital. The Small Business Act authorizes certain SBA small business lending programs, requires SBA to give special consideration to veterans, and authorizes SBA to establish veterans outreach programs.

GAO was asked to examine capital access for veteran-owned small businesses and SBA's role in serving these businesses. This report (1) describes characteristics of veteran-owned businesses and their challenges in accessing capital, (2) examines SBA performance data on its veterans outreach program, (3) examines SBA lending to veteran-owned small businesses in 2016–2021, and (4) assesses SBA policies and procedures for complying with selected statutory requirements concerning veterans. GAO reviewed national small business data and SBA policies, procedures, and data on lending programs and also interviewed agency officials, 22 veterans outreach center directors, and 11 veterans who participated in SBA programs.

What GAO Recommends

GAO recommends that SBA (1) develop guidance for veterans outreach center quarterly reporting, (2) establish procedures to comply with statutorily required annual reporting, and (3) establish procedures to give special consideration to veterans in its lending programs. SBA agreed with all the recommendations.

View [GAO-24-106071](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

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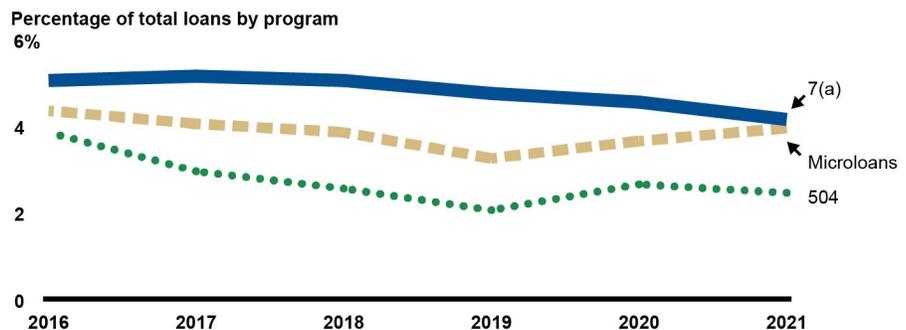
What GAO Found

The characteristics of small businesses owned by veterans generally were similar to those owned by nonveterans, according to GAO analysis of 2020 Annual Business Survey data. For both types, most businesses had fewer than 10 employees and were in urban areas. Among the most common challenges to accessing capital that veteran-owned businesses cited were long wait times for credit decisions, difficulty with application processes, and high interest rates, according to GAO analysis of Small Business Credit Survey data.

The Small Business Administration (SBA) provides training and education on small business ownership through veterans business outreach centers, which state and local agencies and other eligible organizations operate. SBA requires the centers to submit quarterly performance reports. GAO found that some of the reports did not include all the required information, such as the number of counseling sessions. By developing procedures for ensuring compliance with reporting requirements, SBA would have better information with which to oversee centers.

SBA facilitates access to capital for small business owners, including veterans, through three loan programs. The 7(a) program provides financing through commercial lenders, the 504 program provides financing for fixed assets (such as buildings or machinery), and the Microloan program provides financing up to \$50,000 and technical assistance. Veteran-owned small businesses received about 2–5 percent of all loans in the three programs in fiscal years 2016–2021.

Percentage of Loans to Veterans, for SBA's 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Accessible Data for Percentage of Loans to Veterans, for SBA's 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

Year	7(a) (pct)	504 (pct)	Microloans (pct)
2016	5.1	3.9	4.4
2017	5.2	3.0	4.1
2018	5.1	2.6	3.9
2019	4.8	2.1	3.3
2020	4.6	2.7	3.7
2021	4.6	2.7	3.7

Year	7(a) (pct)	504 (pct)	Microloans (pct)
2021	4.2	2.5	4

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

SBA does not have policies and procedures for complying with selected statutory requirements concerning veterans. For instance, SBA's standard operating procedures did not explain how the agency will provide special consideration to veterans in accordance with the Small Business Act and SBA's implementing regulation. SBA also lacked procedures for reporting to congressional committees and could not demonstrate compliance in recent years. Establishing policies and procedures for these requirements would provide greater assurance that SBA is keeping Congress informed and providing special consideration to veterans, as required by law.

Contents

GAO Highlights		ii
	Why GAO Did This Study	ii
	What GAO Recommends	ii
	What GAO Found	ii
Letter		1
	Background	4
	Veteran- and Nonveteran-Owned Small Businesses Had Similar Characteristics, but Veteran Owners May Face More Challenges Accessing Capital	8
	VBOCs Increased Training for Veteran-Owned Businesses but Did Not Properly Complete Performance Reports	18
	SBA Lending Programs and Policies Facilitate Veterans' Access to Capital	26
	SBA Does Not Have Procedures to Ensure Compliance with Some Statutory Requirements That Concern Veteran-Owned Small Businesses	30
	Conclusions	35
	Recommendations for Executive Action	35
	Agency Comments and Our Evaluation	36
Appendix I: Objectives, Scope, and Methodology		38
Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021		42
Appendix III: Comments from the Small Business Administration		53
Accessible Text for Appendix III: Comments from the Small Business Administration		56
Appendix IV: GAO Contact and Staff Acknowledgments		59
Tables		
	Table 1: Examples of Entrepreneurial Development Services Provided by Veterans Business Outreach Centers	8
	Table 2: Number of Employees, by Ownership Status (Veteran and Nonveteran), 2020	10
	Table 3: U.S. Employers Located in Urban versus Rural Counties, by Veteran Ownership, 2020	10
	Table 4: Top 15 Industries by Ownership Status for Veteran-Owned and Nonveteran-Owned Employers, 2020	11

Table 5: Percentage of Veteran-Owned and Nonveteran-Owned Businesses Reporting Challenges Obtaining Financing from Large Banks, 2022	14
Table 6: Self-Reported Employer Concerns about Financial Health of Business during the COVID-19 Pandemic, Veteran-Owned and Nonveteran-Owned, 2020	16
Table 7: Businesses Applying for COVID-19-Related Financial Assistance, 2020 and 2022	16
Table 8: Number of Other Training Events and Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	21
Table 9: Number of Referrals to Resource Partners, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	24
Table 10: Number of Outreach Events, SBA Veterans Business Center Outreach Program, Fiscal Years 2016–2021	24
Table 11: Number and Percentage of Loans Provided to Veterans for Three SBA Loan Programs, Fiscal Years 2016–2021	26
Table 12: Selected Loan and Borrower Characteristics by Veteran Status, SBA Loan Programs, Fiscal Years 2016–2021	27
Table 13: Number of 7(a) SBA Express Loans in Total and to Veterans, Fiscal Years 2016–2021	29
Table 14: Number of Community Advantage Loans in Total and to Veterans, Fiscal Years 2016–2021	29
Table 15: Equity Measure Targets for SBA Loan Programs, Fiscal Years 2021–2023	30

Figures

Figure 1: Self-Reported Financial Condition for Veteran-Owned and Nonveteran-Owned Businesses, by Year (2020–2022)	13
Accessible Data for Figure 1: Self-Reported Financial Condition for Veteran-Owned and Nonveteran-Owned Businesses, by Year (2020–2022)	13
Figure 2: Number of Boots to Business and Boots to Business Reboot Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	19
Accessible Data for Figure 2: Number of Boots to Business and Boots to Business Reboot Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	19

Figure 3: Number of Boots to Business and Boots to Business Reboot Session Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	20
Accessible Data for Figure 3: Number of Boots to Business and Boots to Business Reboot Session Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	20
Figure 4: Number of New and Existing Clients Counseled, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	22
Accessible Data for Figure 4: Number of New and Existing Clients Counseled, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	22
Figure 5: Number of Counseling Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	23
Accessible Data for Figure 5: Number of Counseling Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021	23
Figure 6: Average Loan Amount of 7(a) Loans by Veteran Status, Fiscal Years 2016–2021	42
Accessible Data for Figure 6: Average Loan Amount of 7(a) Loans by Veteran Status, Fiscal Years 2016–2021	43
Figure 7: Total Number and Amount of 7(a) Loans, Fiscal Years 2016–2021	43
Accessible Data for Figure 7: Total Number and Amount of 7(a) Loans, Fiscal Years 2016–2021	44
Figure 8: Number and Amount of 7(a) Loans to Veterans, Fiscal Years 2016–2021	44
Accessible Data for Figure 8: Number and Amount of 7(a) Loans to Veterans, Fiscal Years 2016–2021	45
Figure 9: Average Loan Amount of 504 Loans by Veteran Status, Fiscal Years 2016–2021	45
Accessible Data for Figure 9: Average Loan Amount of 504 Loans by Veteran Status, Fiscal Years 2016–2021	46
Figure 10: Total Number and Amount of 504 Loans, Fiscal Years 2016–2021	46
Accessible Data for Figure 10: Total Number and Amount of 504 Loans, Fiscal Years 2016–2021	47
Figure 11: Number and Amount of 504 Loans to Veterans, Fiscal Years 2016–2021	47

Accessible Data for Figure 11: Number and Amount of 504 Loans to Veterans, Fiscal Years 2016–2021	48
Figure 12: Average Loan Amount of Microloans by Veteran Status, Fiscal Years 2016–2021	48
Accessible Data for Figure 12: Average Loan Amount of Microloans by Veteran Status, Fiscal Years 2016–2021	49
Figure 13: Total Number and Amount of Microloans, Fiscal Years 2016–2021	50
Accessible Data for Figure 13: Total Number and Amount of Microloans, Fiscal Years 2016–2021	51
Figure 14: Number and Amount of Microloans to Veterans, Fiscal Years 2016–2021	51
Accessible Data for Figure 14: Number and Amount of Microloans to Veterans, Fiscal Years 2016–2021	52

Abbreviations

ABS	Annual Business Survey
CDC	Certified Development Company
SBA	Small Business Administration
SBCS	Small Business Credit Survey
VBOC	Veterans Business Outreach Center
Veterans Entrepreneurship Act	Veterans Entrepreneurship and Small Business Development Act of 1999

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December 21, 2023

The Honorable Roger Williams
Chairman
Committee on Small Business
House of Representatives

The Honorable Mike Bost
Chairman
Committee on Veterans' Affairs
House of Representatives

The Honorable Blaine Luetkemeyer
House of Representatives

In 2020, approximately 5.6 percent of employer businesses (firms with paid employees) were veteran-owned.¹ However, research has shown that veteran entrepreneurs may face challenges in accessing capital for their ventures. For instance, research suggests that veterans have a more difficult time establishing credit and developing business relationships, particularly those who relocated to a new area after military service.² Evidence also suggests that veterans have started small

¹This estimate is from the 2020 Annual Business Survey, which is sponsored by the National Center for Science and Engineering Statistics in the National Science Foundation and conducted jointly with the Census Bureau. It captures data only for employer firms. The survey defines veteran-owned businesses as those that are at least 51 percent owned and controlled by veterans or their dependents. About 5.5 percent of nonemployer businesses were veteran-owned, according to Census's 2019 Nonemployer Statistics by Demographics series data. According to estimates from the survey and the series data, there were about 320,864 employer veteran businesses in 2020 and about 1.59 million nonemployer veteran businesses in 2019.

²See Nyasha Y. Boldon and Rosalinda V. Maury, *Bridging the Gap: Motivations, Challenges, and Successes of Veteran Entrepreneurs* (Syracuse, N.Y.: Syracuse University Institute for Veterans and Military Families, November 2017); Federal Reserve Bank of New York and Small Business Administration, *Financing Their Future: Veteran Entrepreneurs and Capital Access* (November 2018); and Rosalinda V. Maury, et al., *Veteran Entrepreneurship: Access to Capital Challenges and Opportunities* (Syracuse, N.Y.: Syracuse University Institute for Veterans and Military Families, 2019).

businesses at a lower rate than 25 years ago, and those businesses experienced less success than those owned by nonveterans.³

The Small Business Administration (SBA) helps small business owners and entrepreneurs start, build, and grow businesses through a variety of services and programs, which include lending programs that provide access to capital. SBA is statutorily required to give special consideration to veterans in carrying out its lending programs.⁴ In addition, SBA offers training and counseling to veterans interested in starting or growing a small business through its Veterans Business Outreach Center (VBOC) program. For example, VBOCs work with military installations to conduct Boots to Business entrepreneurial training courses for transitioning service members and military spouses.

You asked us to evaluate how SBA assists veteran-owned small businesses. This report (1) describes the characteristics of veteran-owned businesses, and the challenges veteran business owners face in accessing capital in the private sector; (2) examines performance data SBA maintains on its VBOC program; (3) examines how SBA loan programs facilitate access to capital for veteran-owned businesses; and (4) assesses SBA's policies and procedures for ensuring compliance with selected statutory requirements concerning veteran-owned small businesses. We focused our review on fiscal years 2016–2022, because they provided the most recent available data at the time our review began and covered periods before and during the COVID-19 pandemic.

For the first objective, we reviewed data from the Annual Business Survey (ABS) for 2017–2020 and the Small Business Credit Survey (SBCS) for 2016–2022.⁵ We reviewed documentation related to these data and

³See *Financing Their Future: Veteran Entrepreneurs and Capital Access*.

⁴The Small Business Act requires SBA to give special consideration to veterans of the Armed Forces of the United States and their survivors or dependents in carrying out the programs administered by SBA, including its lending and guaranteeing functions. § 4(b)(1), 15 U.S.C. § 633(b)(1).

⁵ABS is an annual survey that collects demographic characteristics from employer businesses but does not collect demographic data from nonemployer businesses. To account for nonemployer businesses, we also reviewed Census's Nonemployer Statistics by Demographics series, which was developed to produce estimates on owner demographics similar to those of ABS, but for nonemployer businesses. Although these data are for employers (businesses) of all sizes, small businesses constitute more than 99 percent of all firms with paid employees the United States. SBCS is a collaboration of all 12 Federal Reserve Banks and provides information about the experience of both employer and nonemployer small businesses.

determined them to be reliable for describing business characteristics and veterans' challenges. We also held four interviews or discussion groups with a nongeneralizable sample of 11 veteran business owners, selected in part because VBOCs identified them as participants in SBA training or programs. The opinions participants expressed may not represent the views of all veteran business owners.

For the second objective, we analyzed SBA data on VBOC performance in fiscal years 2016–2021. We reviewed VBOCs' quarterly year-end reports for the 2021–2022 reporting period to identify the performance goals they set and the extent to which they reported on meeting the goals.⁶ We also reviewed standard operating procedures for the VBOC program. We reviewed documentation related to SBA's data and determined them to be sufficiently reliable for describing VBOC performance in 2016–2021. We also conducted structured interviews with the directors of the 22 VBOCs operating as of January 2023 and did a content analysis to identify key themes.

For the third objective, we analyzed SBA data on the number and dollar amount of loans made to veteran-owned businesses through three lending programs (7(a), 504, and Microloan) during fiscal years 2016–2021. We reviewed documentation related to these data and determined them to be sufficiently reliable for describing trends in program lending to such businesses in this period. We also interviewed SBA officials on these trends.

For the fourth objective, we reviewed relevant laws, rules, regulations, and agency documentation and interviewed SBA officials. For more information on our scope and methodology, see appendix I.

We conducted this performance audit from May 2022 to December 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶The 2021–2022 reporting period was from May 1, 2021 through April 30, 2022. The year-end report covered the quarter from February 1 through April 30, 2022.

Background

SBA's Associate Administrator of the Office of Capital Access administers three small business lending programs—7(a), 504, and Microloan. SBA's Associate Administrator of the Office of Veteran Business Development administers the VBOC program, which assists service members, veterans, National Guard and Reserve members, and military spouses interested in starting or growing a small business.

7(a) Program

Under SBA's 7(a) loan guarantee program, SBA guarantees loans of up to \$5 million made by commercial lenders to small businesses for working capital and other sound business purposes.⁷ These lenders are mostly banks, but some are nonfederally regulated lenders, Small Business Lending Companies, and Community Advantage Small Business Lending companies.⁸ The guarantee (generally, from 50 to 85 percent of the outstanding balance) incentivizes the lender to provide credit to borrowers who cannot obtain credit elsewhere. To be eligible for an SBA business loan, including under the 7(a) program, a business must be an operating for-profit small firm (according to SBA's size standards) located in the

⁷Other business purposes include equipment, furniture and fixtures, land and buildings, leasehold improvements, and certain debt refinancing. Maximum loan size may vary by 7(a) subprogram.

⁸A Small Business Lending Company is a nondepository lending institution that is SBA-licensed and authorized to make loans pursuant to Section 7(a) of the Small Business Act and to make loans to intermediaries in SBA's Microloan program. Community Advantage is a subprogram of the 7(a) program with a mission to provide access to capital to underserved groups. It shares many of the same policies and procedures with the 7(a) program but has a separate set of requirements for participating lenders, among other differences. Community Advantage began as a pilot program in 2011, which ended on October 31, 2023. Lenders that were in the pilot still will follow its requirements, including to provide at least 60 percent of loans in underserved markets. However, they will make regular 7(a) loans under a Community Advantage Small Business Lending Company license in the 7(a) program.

United States that can demonstrate a need for the desired credit.⁹ In addition, the business must be unable to obtain the desired credit at reasonable terms from non-government sources without SBA assistance.¹⁰

In addition, several 7(a) subprograms offer streamlined and expedited loan procedures for particular types of 7(a) loans. The terms of these loans, including the maximum SBA guarantee, vary by program. For example, SBA Express permits lenders to use their existing documentation and procedures in return for receiving a reduced SBA guarantee on loans (50 percent on loan amounts up to \$500,000).¹¹ SBA Community Advantage is designed to meet the credit, management, and technical assistance needs of small businesses in underserved markets. It provides mission-oriented lenders, primarily nonprofit financial intermediaries focused on economic development, access to 7(a) loan guaranties for loans of \$350,000 or less.

504 Program

SBA's 504 loan program provides long-term, fixed-rate financing to new or growing small businesses for fixed assets such as land, buildings or machinery. Small businesses may apply for 504 financing through a Certified Development Company (CDC) serving the area in which the project is located. CDCs generally are nonprofit corporations that provide funding to small businesses to contribute to economic development in their communities. Like other SBA loan programs, small business applicants must be unable to obtain the desired credit on reasonable terms from non-government sources without SBA assistance.

⁹13 C.F.R. § 120.100. Additional eligibility criteria apply. See, e.g., 13 C.F.R. §§ 120.104, 120.110. In establishing size standards, SBA considers economic characteristics of the industry, including degree of competition, average firm size, start-up costs and entry barriers, and distribution of firms by size. It also considers growth trends, competition from other industries, and other factors that may distinguish small firms from other firms. SBA's size standards seek to ensure that a firm meeting a specific size standard is not dominant in its field of operation. See GAO, *Small Business Loans: Additional Actions Needed to Improve Compliance with the Credit Elsewhere Requirement*, [GAO-18-421](#) (Washington, D.C.: June 5, 2018).

¹⁰SBA requires lenders to certify or otherwise show that the applicant meets this criteria, taking into consideration factors associated with conventional lending practices. 13 C.F.R. § 120.101.

¹¹More specifically, Express lenders may use their own forms, internal credit memorandums, notes, collateral documents, and servicing and liquidation documentation.

For a typical 504 loan project, three parties provide financing: a third-party lender, a CDC, and a small business borrower. A third-party lender, typically a commercial bank, provides financing up to 50 percent of the total 504 project costs. A CDC provides up to 40 percent of the project costs through a loan (the “504 loan”) that is backed by a debenture that SBA fully guarantees.¹² The maximum amount a CDC can lend a small business borrower is generally \$5 million.¹³ The small business borrower must contribute at least 10 percent of the project costs.

Microloan Program

SBA’s Microloan program provides participating lenders, called intermediaries, with loans and grants to help them provide loans, training, and technical assistance to borrowers.¹⁴ By law, prospective intermediaries must be private nonprofit entities or quasi-governmental economic development entities and meet other eligibility requirements.¹⁵

SBA is authorized to provide up to \$7 million in direct loans to each of its intermediaries.¹⁶ In turn, the intermediaries provide fixed-rate loans of 7

¹²The third-party lender’s loan is secured by a senior lien on the project property (that is, a lien that is paid first in case of default) and the 504 loan is secured by a junior lien. SBA may authorize, for good cause shown, an increase in the 504 loan amount of up to 50 percent of total project costs. A debenture is an obligation issued by a CDC and 100 percent guaranteed by SBA, the proceeds of which are used to fund a 504 loan. Debentures are packaged and sold to underwriters. Investors then purchase interests in debenture pools.

¹³The lending limit for 504 loans issued by CDCs is \$5.5 million if the small business borrower is a small manufacturer with all production facilities located in the United States, the project reduces the borrower’s energy consumption by at least 10 percent, or the project involves upgrades of renewable energy sources or renewable fuel producers.

¹⁴See also GAO, *SBA Microloan Program: Opportunities Exist to Strengthen Program Performance Measurement, Collaboration, and Reporting*, [GAO-20-49](#) (Washington, D.C.: Nov. 19, 2019).

¹⁵An agency or nonprofit established by a Native American Tribal Government is also eligible to act as an intermediary. Each applicant must have a minimum of 1 year of experience making microloans to small businesses and providing marketing, management, and technical assistance to its borrowers. A quasi-governmental economic development entity (such as a planning and development district) may not be an agency of a state, county, or municipal government.

¹⁶By statute, the total amount outstanding and committed to an intermediary from the business loan and investment fund established under 15 U.S.C. Chapter 14A must not exceed \$750,000 in the first year of the intermediary’s participation in the Microloan program and must not exceed \$7 million (in the aggregate) in the remaining years, and \$3 million in each remaining year.

years or less in a maximum amount of \$50,000—microloans. These loans are made to eligible borrowers to use as working capital and to acquire materials, supplies, furniture, fixtures, and equipment. The program also provides grants to reimburse intermediaries for marketing, management, and technical assistance provided to current and prospective borrowers. No more than 50 percent of the grant funds may be used to provide technical assistance to prospective borrowers.

Veterans Business Outreach Center Program

VBOCs offer resources to veterans and other eligible parties interested in starting or growing a small business. SBA is authorized to enter into cooperative agreements with eligible organizations to operate VBOCs, including nonprofit organizations, local and state government agencies, and institutions of higher education. For fiscal year 2022, SBA entered into cooperative agreements with 22 organizations to operate VBOCs.¹⁷

The primary function of VBOCs is to provide entrepreneurial training through the Boots to Business and Boots to Business Reboot programs, which provide participants with an introductory understanding of business ownership. Boots to Business courses are hosted by military installations worldwide and targeted to transitioning service members and military spouses.¹⁸ Boots to Business Reboot courses are offered in communities or virtually to participants who cannot access military installations, and target veterans of all eras, National Guard and Reserve members, and military spouses.¹⁹ Table 1 describes other services that VBOCs provide.

¹⁷In fiscal year 2023, SBA expanded the program by entering into cooperative agreements with 28 VBOCs.

¹⁸SBA offers Boots to Business courses under the Department of Defense's Transition Assistance Program. VBOCs must participate in all Boots to Business courses under a May 2018 requirement. See also GAO, *Servicemembers Transitioning to Civilian Life: DOD Can Better Leverage Performance Information to Improve Participation in Counseling Pathways*, [GAO-23-104538](#) (Washington, D.C.: Dec. 12, 2022).

¹⁹The Introduction to Entrepreneurship course is the foundational piece of the Boots to Business program. This in-person or online course provides participants with an introductory understanding of business ownership. After completing the introductory course, participants can elect further study through optional online courses, such as Boots to Business: Revenue Readiness.

Table 1: Examples of Entrepreneurial Development Services Provided by Veterans Business Outreach Centers

Service	Description
Pre-business plan workshops	Deal with the major issues of self-employment. An important segment of these workshops covers internet usage as a tool for developing and expanding businesses. Each client is afforded the opportunity to work directly with a business counselor.
Concept assessments	Assist clients in assessing their entrepreneurial needs and requirements.
Business plan preparation	Assist clients in developing and maintaining a 5-year business plan. The business plan includes such elements as the legal form of the business, equipment requirements and cost, organizational structure, a strategic plan, market analysis, and a financial plan. Financial plans include financial projections, budget projections, and funding requirements.
Comprehensive feasibility analysis	Assist clients in identifying and analyzing the strengths and weaknesses of business plans to increase the probability of success. The results of the analysis are used to revise the strategic planning portion of the business plan.
Mentorship	Conduct on-site visits with clients to ensure adherence to their business plans. Also review monthly financial statements to determine whether a revision of the business plan is warranted or if desired results are being attained.
Other business development services	Provide assistance and training in such areas as international trade, franchising, internet marketing, and accounting.

Source: Small Business Administration. | GAO-24-106071

VBOCs also work with other SBA resource partners (Small Business Development Centers, SCORE Business Mentoring, and Women’s Business Centers) to provide entrepreneurial training and counseling tailored to the veteran entrepreneur community.²⁰

Veteran- and Nonveteran-Owned Small Businesses Had Similar Characteristics,

²⁰Small Business Development Centers provide counseling and training to small businesses, including working with SBA to develop and provide informational tools to support business start-ups and existing business expansion. SCORE is the nation’s largest network of volunteer, expert business mentors, who offer area-specific advice (financing, human resources, business planning) at no cost by email, telephone, and video. Women’s Business Centers are a part a national network of entrepreneurship centers in the United States and its territories. The centers provide free or low-cost counseling and training and focus on women who want to start, grow, and expand their small business.

but Veteran Owners May Face More Challenges Accessing Capital

Both Veteran-Owned and Nonveteran-Owned Employers Generally Had Few Employees and Were Located in Urban Areas

Most employers, whether veteran-owned or nonveteran-owned, were small in size (measured by the number of employees) and located in urban areas according to our analysis of 2020 ABS data.²¹ Although these data are for employers (businesses) of all sizes, they are representative of small businesses, which constitute more than 99 percent of all businesses in the United States.

Number of Employees

Most veteran-owned (82 percent) and nonveteran-owned (79 percent) employers had fewer than 10 employees in 2020 (see table 2). About half of each group had 1–4 employees.

²¹ABS provides information on selected economic and demographic characteristics for employer businesses (those with paid employees) and business owners by sex, ethnicity, race, and veteran status. ABS samples approximately 850,000 employer businesses every 5 years and approximately 300,000 employer businesses annually. The Nonemployer Statistics by Demographics series augments ABS by providing similar information on the demographic characteristics of nonemployers. The statistics series is not a survey; rather, it leverages existing individual-level administrative records to assign demographic characteristics (including sex, ethnicity, race, veteran status, owner age, place of birth, and U.S. citizenship) to the universe of nonemployer businesses. According to estimates from the survey and series data, there were about 320,864 employer veteran business in 2020 and about 1.59 million nonemployer veteran businesses in 2019.

Table 2: Number of Employees, by Ownership Status (Veteran and Nonveteran), 2020

Number of employees	Veteran-owned employers (percent)	Nonveteran-owned employers (percent)
No employees	14%	13%
1–4 employees	52	50
5–9 employees	16	16
10–19 employees	10	11
20–49 employees	6	7
50–99 employees	2	2
100–249 employees	n/a	1
250–499 employees	n/a	n/a
500 or more employees	n/a	n/a

Legend: n/a = not applicable

Source: GAO analysis of American Business Survey data. | GAO-24-106071

Note: Our analysis excludes employers that were equally owned by veterans and nonveterans. The American Business Survey data include the number of firms with paid employees. The table is based on the number of employees working at a firm during the March 12 pay period in 2020. The “no employees” category indicates the employer did not have employees during the March 12 pay period, even if the employer had employees during other 2020 pay periods. Estimates in this table have relative standard errors of less than 23 percent. The notation n/a (not applicable) indicates there were too few employers to present an estimate.

Urban and Rural Areas

The majority of employers of all types were located in urban areas in 2020 (see table 3). A slightly higher proportion of veteran-owned employers were located in rural areas than nonveteran-owned employers (15 percent and 13 percent, respectively).

Table 3: U.S. Employers Located in Urban versus Rural Counties, by Veteran Ownership, 2020

Location (county type)	Percent of veteran-owned employers	Percent of nonveteran-owned employers
Urban	77%	80%
Rural	15	13
Not classified	8	7

Source: GAO analysis of American Business Survey data. | GAO-24-106071

Note: Our analysis excludes employers that were equally owned by veterans and nonveterans. Estimates in this table have relative standard errors of less than 4.4 percent.

Industry

The largest percentages of both veteran-owned employers and nonveteran-owned employers were in the professional, scientific, and technical services industry, followed by construction (see table 4).²² Veteran-owned employers were relatively less represented in accommodation and food services and in retail trade. They were relatively more represented in construction and in professional, scientific, and technical services industries.

Table 4: Top 15 Industries by Ownership Status for Veteran-Owned and Nonveteran-Owned Employers, 2020

Industry (Veteran-owned employers)	Percent of total (Veteran-owned employers)	Industry (Nonveteran-owned employers)	Percent of total (Nonveteran-owned employers)
Professional, scientific, and technical services	17%	Professional, scientific, and technical services	15%
Construction	15	Construction	13
Health care and social assistance	11	Retail trade	11
Retail trade	9	Health care and social assistance	11
Administrative and support and waste management and remediation services	7	Accommodation and food services	10
Real estate and rental and leasing	6	Other services (except public administration)	7
Other services (except public administration)	6	Administrative and support and waste management and remediation services	6
Wholesale trade	5	Real estate and rental and leasing	6
Finance and insurance	5	Wholesale trade	5
Manufacturing	5	Manufacturing	4
Accommodation and food services	5	Finance and insurance	4
Transportation and warehousing	4	Transportation and warehousing	4
Arts, entertainment, and recreation	1	Arts, entertainment, and recreation	2
Information	1	Information	1
Agriculture, forestry, fishing, and hunting	less than 1	Educational services	1
Other industries	less than 1	Other industries	1

Source: GAO analysis of American Business Survey data. | GAO-24-106071

²²For nonemployer businesses, real estate and rental and leasing is the most common industry for both veteran and nonveteran businesses.

Note: Our analysis excludes businesses that were equally owned by veterans and nonveterans. Estimates in this table have relative standard errors of less than 26.3 percent.

Veterans Face Some Challenges Accessing Capital

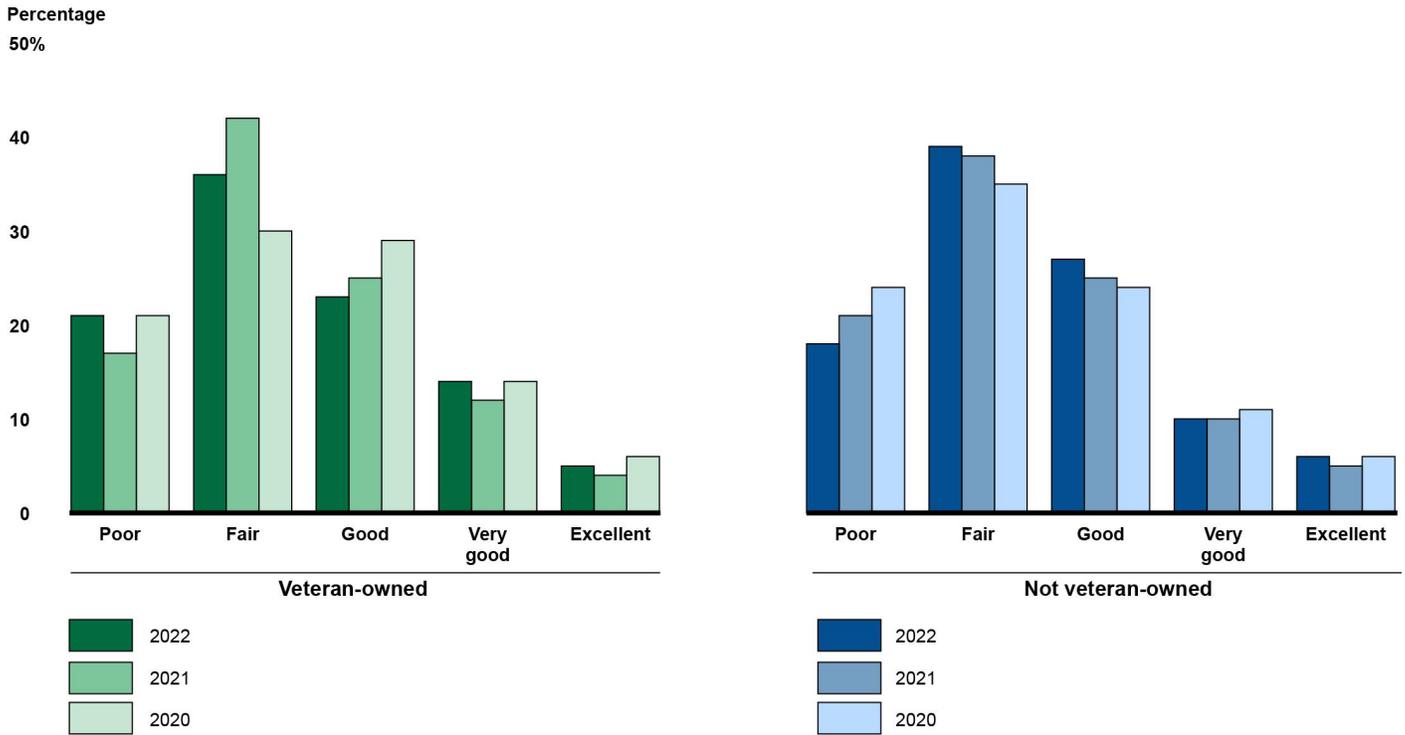
The majority of veteran-owned and nonveteran-owned businesses self-reported their financial conditions as fair or poor but their credit risk as low from 2020 to 2022, according to our analysis of SBCS data.²³ We found that both types of businesses faced challenges accessing capital in 2022.

Financial Condition

In 2022, approximately 57 percent of veteran-owned businesses described their financial condition as poor or fair and 19 percent as very good or excellent. Veteran- and nonveteran-owned businesses reported roughly similar financial conditions (see fig. 1).

²³In 2022, the survey reached about 8,000 small employer firms (those that had 1–499 full- or part-time employees) across all 50 states and the District of Columbia.

Figure 1: Self-Reported Financial Condition for Veteran-Owned and Nonveteran-Owned Businesses, by Year (2020–2022)



Source: GAO analysis of Small Business Credit Survey data. | GAO-24-106071

Accessible Data for Figure 1: Self-Reported Financial Condition for Veteran-Owned and Nonveteran-Owned Businesses, by Year (2020–2022)

	Veteran-owned	Veteran-owned (pct)	Not veteran-owned (pct)								
Year	Poor	Fair	Good	Very good	Excellent	Poor	Fair	Good	Very good	Excellent	
2020	0.21	0.3	0.29	0.14	0.06	0.24	0.35	0.24	0.11	0.06	
2021	0.17	0.42	0.25	0.12	0.04	0.21	0.38	0.25	0.10	0.05	
2022"	0.21	0.36	0.23	0.14	0.05	0.18	0.39	0.27	0.10	0.06	

Source: GAO analysis of Small Business Credit Survey data. | GAO-24-106071

Note: Veteran-owned businesses are at least 51 percent owned and controlled by veterans. Estimates in this figure have relative standard errors of less than 28.5 percent.

Credit Risk

Veteran-owned and nonveteran-owned businesses assessed their credit risks similarly in 2022.²⁴ For both groups, 69 percent described their credit risk, based on their business or personal credit score, as low and 6 percent as high. In 2018, a slightly smaller proportion assessed their credit risk as low—59 percent of veteran-owned businesses and 65 percent of nonveteran-owned businesses.

Challenges Related to Accessing Capital

Veteran-owned businesses most frequently reported long wait times for credit decisions or funding (30 percent), difficult application processes (30 percent), high interest rates (20 percent), a lack of transparency (18 percent), and unfavorable repayment terms (13 percent) as challenges to obtaining financing from large banks, according to self-reported responses in 2022 SBCS data (see table 5). Nonveteran-owned businesses also most frequently reported these challenges.

Table 5: Percentage of Veteran-Owned and Nonveteran-Owned Businesses Reporting Challenges Obtaining Financing from Large Banks, 2022

Challenge	Veteran-owned businesses (percentage)	Nonveteran-owned businesses (percentage)
Long wait for credit decision or funding	30%	22%
Difficult application process	30	22
High interest rates	20	21
Lack of transparency	18	11
Unfavorable repayment terms	13	11
Other challenges	3	4

Source: GAO analysis of Small Business Credit Survey data. | GAO-24-106071

Note: Estimates in this table have relative standard errors of less than 40 percent except for “other challenges,” which has a relative standard error of 77 percent.

²⁴According to the SBCS, credit risk is determined by the self-reported business credit score or personal credit score, depending on which one was used to obtain financing. If a firm used both, the weaker score is used. Those with a business credit score of 80–100 or a personal credit score of 720 or more are deemed low-risk, those with a business credit score of 50–79 or a personal credit score of 620–719 are deemed medium-risk, and those with a business credit score of 1–49 or a personal credit score of less than 620 are deemed high-risk.

Veteran business owners also cited other challenges related to accessing capital during four discussion groups we conducted with 11 owners. For example, they cited

- lack of lender familiarity with the business type or sector for which the owner was seeking financing (all four discussion groups);
- lack of owner financial literacy (three discussion groups);
- lack of lender understanding of military service as work experience (two discussion groups);
- lack of owner personal startup funds or personal capital (three discussion groups); and
- need to demonstrate business income (two discussion groups).

Research has identified similar challenges faced by veterans. For example, a 2019 report found that veteran business owners were more likely than nonveteran owners to be turned down when requesting credit.²⁵ The report noted that almost 60 percent of veterans reported personal credit history as the reason they were turned down compared with 17 percent of nonveterans. In addition, a 2018 report found that about half of veterans relocate to a new community after separation from the military, which can limit the social capital (including business relationships and networks) useful for entrepreneurship.²⁶ A 2017 report also found that the most common challenge reported by veteran entrepreneurs was related to accessing capital and connecting with networks and mentors.²⁷

Employer Concerns and Pandemic Financial Assistance

More than half of both veteran-owned and nonveteran-owned employers were somewhat or very concerned about the effects of the COVID-19 pandemic on their businesses, according to ABS data (see table 6).

²⁵*Veteran Entrepreneurship: Access to Capital Challenges and Opportunities.*

²⁶*Financing Their Future: Veteran Entrepreneurs and Capital Access.*

²⁷*Bridging the Gap: Motivations, Challenges, and Successes of Veteran Entrepreneurs.*

Table 6: Self-Reported Employer Concerns about Financial Health of Business during the COVID-19 Pandemic, Veteran-Owned and Nonveteran-Owned, 2020

Category	Veteran-owned employers (percentage)	Nonveteran-owned employers (percentage)
Not that concerned about the business's financial health	43%	40%
Somewhat concerned about the business's financial health	40	43
Very concerned about the business's financial health	18	18

Source: GAO analysis of American Business Survey data. | GAO-24-106071

Note: Our analysis excludes businesses that were equally owned by veterans and nonveterans. The numbers are rounded and the sum of the numbers may exceed 100 percent. Estimates in this table have relative standard errors of less than 1 percent.

In addition, 87 percent of veteran-owned employers and 91 percent of nonveteran-owned employers applied for pandemic-related financial assistance in 2020, according to our analysis of SBCS data (see table 7).²⁸ Applications for such assistance sharply decreased in 2022.²⁹

Table 7: Businesses Applying for COVID-19-Related Financial Assistance, 2020 and 2022

Type of assistance	2020 (Veteran-owned businesses (percentage))	2022 (Veteran-owned businesses (percentage))	2020 (Nonveteran-owned businesses (percentage))	2022 (Nonveteran-owned businesses (percentage))
Economic Injury Disaster Loan Program (advance)	24%	9%	37%	13%
Economic Injury Disaster Loan Program (loan)	47	17	47	24
Paycheck Protection Program	78	n/a	81	n/a

²⁸Pandemic-related financial assistance was defined as assistance from the Paycheck Protection program, Economic Injury Disaster Loan program, and SBA loan forgiveness programs. The Paycheck Protection program was designed to help small businesses affected by the COVID-19 pandemic. Paycheck Protection Program loans were made by lenders but 100 percent guaranteed by SBA, low interest (1 percent) and fully forgivable if certain conditions were met. See GAO, *Paycheck Protection Program: SBA Added Program Safeguards, but Additional Actions Are Needed*, [GAO-21-577](#) (Washington, D.C.: July 29, 2021). The Small Business Act authorized SBA to make Economic Injury Disaster loans to eligible small businesses and nonprofit organizations located in a disaster area. In response to COVID-19, Congress provided additional funding for the existing program to support small businesses. See GAO, *Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks*, [GAO-21-589](#) (Washington, D.C.: July 30, 2021).

²⁹SBA stopped accepting new applications for Economic Injury Disaster Loans in December 2021 but continued to process requests into 2022 until the program closed.

Letter

Type of assistance	2020 (Veteran-owned businesses (percentage))	2022 (Veteran-owned businesses (percentage))	2020 (Nonveteran-owned businesses (percentage))	2022 (Nonveteran-owned businesses (percentage))
Did not seek assistance	13	73	9	65

Legend: n/a = not applicable

Source: GAO analysis of Small Business Credit Survey data. | GAO-24-106071

Note: The sum of the percentages do not add to 100 percent because business could apply to multiple programs. Estimates in this table have relative standard errors of less than 17.3 percent.

VBOCs Increased Training for Veteran-Owned Businesses but Did Not Properly Complete Performance Reports

Training Offered by VBOCs Increased during 2016–2021

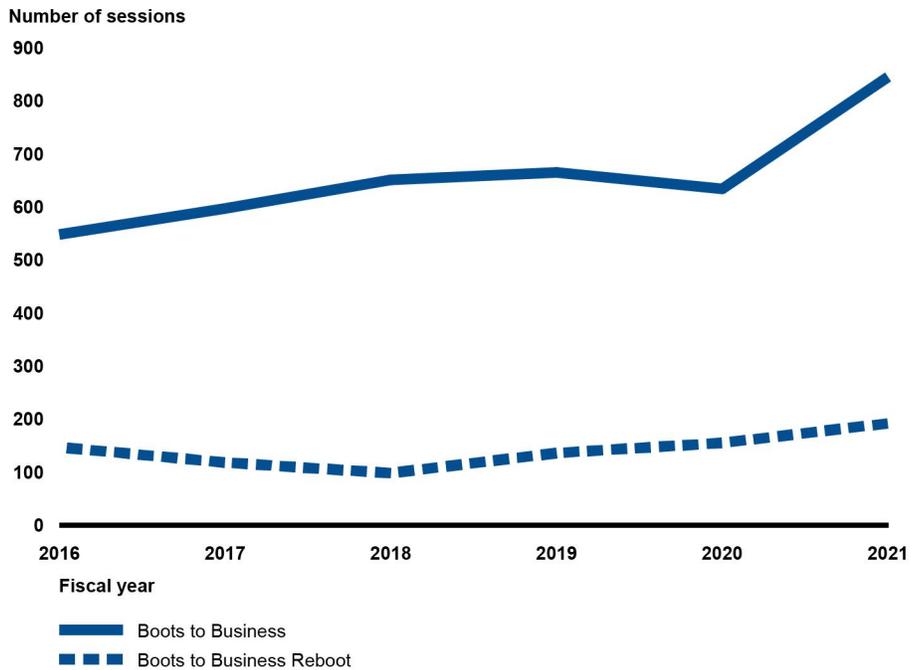
VBOCs increased the entrepreneurial training they provided in fiscal years 2016–2021, as measured by a number of metrics, according to our analysis of SBA data on VBOC performance. As previously noted, VBOCs primarily focus on training through the Boots to Business and Boots to Business Reboot programs and offer other entrepreneurial development services.

Boots to Business and Boots to Business Reboot Sessions

The number of Boots to Business sessions increased from 548 to 845 (54 percent) during fiscal years 2016–2021, including a 33 percent increase from 2020 to 2021 (see fig. 2). SBA officials attributed the overall increase to efforts to integrate VBOC teams into Boots to Business program operations previously managed by the Department of Defense and to a 2018 performance goal requiring VBOCs to participate in all the sessions. The agency attributed the 2020–2021 increase to the switch to virtual delivery of sessions during the COVID-19 pandemic.

The number of Boots to Business Reboot sessions decreased from 147 to 98 (33 percent) in fiscal years 2016–2018 before increasing to 192 in 2021 (96 percent). According to SBA officials, VBOC teams coordinate with local SBA district offices to ensure they meet demand for Reboot classes and that the classes do not compete with or duplicate efforts by local partners. SBA officials noted that this demand and collaboration drove the number and frequency of Reboot classes. SBA added that the increase from 2020 to 2021 resulted from the switch to virtual delivery of classes during the pandemic.

Figure 2: Number of Boots to Business and Boots to Business Reboot Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Accessible Data for Figure 2: Number of Boots to Business and Boots to Business Reboot Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

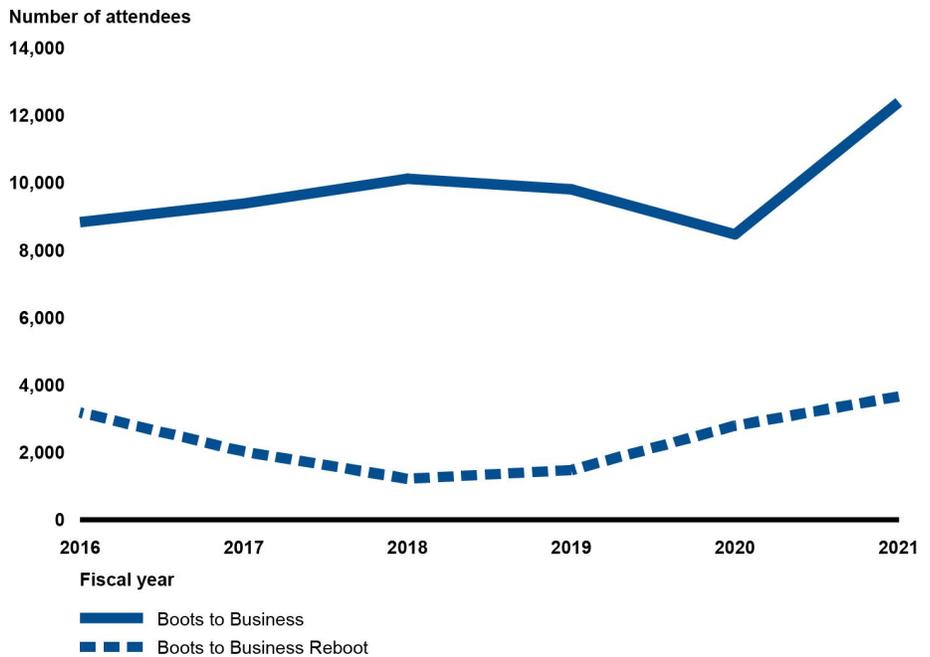
Fiscal year	Boots to Business	Boots to Business Reboot
2016	548	147
2017	597	118
2018	651	98
2019	665	136
2020	634	155
2021	845	192

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

The annual number of attendees at Boots to Business sessions fluctuated between 8,830 in fiscal year 2016 to 12,387 in 2021, an overall 40 percent increase (see fig. 3). SBA officials said the overall increase in attendees corresponded with an increase in classes offered (class size remained consistent). The number of attendees at Reboot sessions declined from 3,181 in 2016 to 1,215 in 2018, before increasing to 3,658 in 2021 (an overall rise of 15 percent in 2016–2021). SBA officials stated

that 2016 was the first full year of sessions, which resulted in a high average number of attendees in that year. SBA officials attributed the drop in attendees in 2018 to fewer Reboot sessions offered that year, and the increase in attendees in 2020–2021 to demand for virtual classes during the COVID-19 pandemic.

Figure 3: Number of Boots to Business and Boots to Business Reboot Session Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Accessible Data for Figure 3: Number of Boots to Business and Boots to Business Reboot Session Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

Fiscal year	Boots to Business	Boots to Business Reboot
2016	8830	3181
2017	9381	2022
2018	10118	1215
2019	9805	1474
2020	8467	2788
2021	12387	3658

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Other Training Events

The number of and attendance at other VBOC training events fluctuated during fiscal years 2016–2021 (see table 8). SBA officials attributed a decline in 2019 to the May 2018 requirement that VBOCs participate in all Boots to Business classes. They noted that the increase in 2020–2021 corresponded with the COVID-19 pandemic. VBOCs transitioned to virtual training events that were more efficient and convenient to host and attend than in-person events. SBA also promoted stimulus programs during this period, which increased interest in the agency’s programs.

Table 8: Number of Other Training Events and Attendees, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

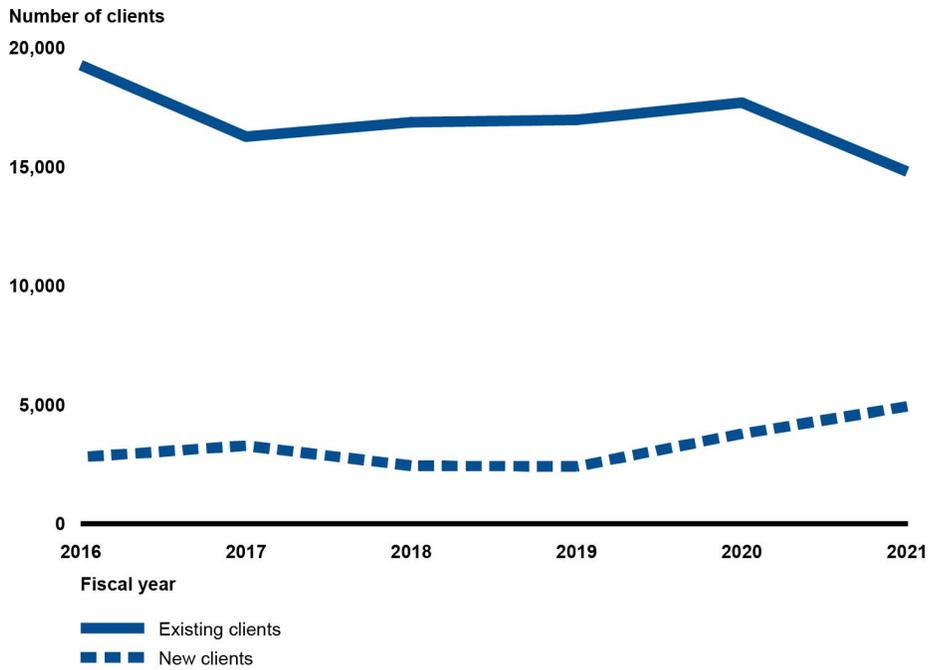
Fiscal year	Number of training events	Number of attendees
2016	1,264	29,920
2017	1,578	31,179
2018	1,514	26,339
2019	1,428	21,152
2020	1,495	29,809
2021	1,860	37,729

Source: Small Business Administration (SBA) data. | GAO-24-106071

Clients Counseled

The number of existing clients counseled declined from 19,266 to 14,792 (23 percent) during fiscal years 2016–2021, including a 16 percent decline from 2020 to 2021 (see fig. 4). SBA officials stated that the large increase in Boots to Business sessions offered in 2020–2021 resulted in fewer resources and less time spent on counseling sessions for existing clients. In contrast, the number of new clients counseled increased sharply from 2,793 to 4,920 (76 percent) in 2020–2021. According to SBA officials this resulted from increased awareness of SBA resources during the COVID-19 pandemic.

Figure 4: Number of New and Existing Clients Counseled, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Accessible Data for Figure 4: Number of New and Existing Clients Counseled, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

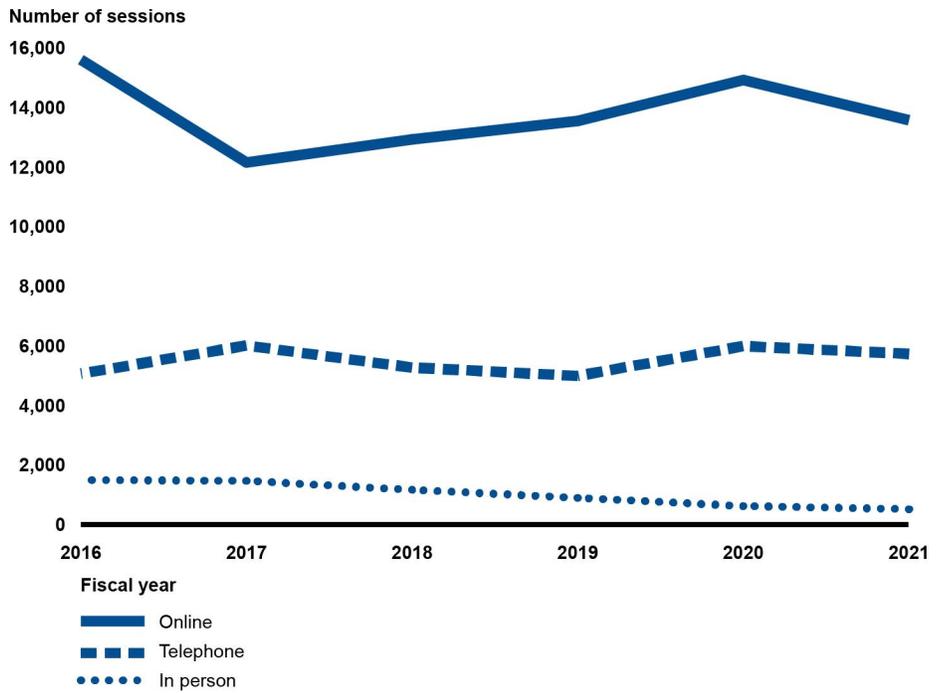
Fiscal year	New clients	Existing clients
2016	2793	19266
2017	3278	16262
2018	2434	16868
2019	2404	16967
2020	3779	17690
2021	4920	14792

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Counseling Sessions

VBOCs provided more online counseling sessions to veterans during fiscal years 2016–2021 than telephone and in-person sessions, but trends differed by session type (see fig. 5). Specifically, online sessions decreased from 15,600 to 13,568 (13 percent), in-person sessions decreased sharply from 1,491 to 513 (66 percent), and telephone sessions increased slightly from 5,060 to 5,724 (13 percent).

Figure 5: Number of Counseling Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Accessible Data for Figure 5: Number of Counseling Sessions, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

Fiscal year	In person	Online	Telephone
2016	1491	15600	5060
2017	1463	12149	6004
2018	1162	12924	5266
2019	893	13543	4985
2020	619	14917	5988
2021	513	13568	5724

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

SBA officials said VBOCs’ ability to conduct counseling sessions was directly related to resources allocated to Boots to Business and Reboot classes. SBA officials noted that VBOCs had to participate in all Boots to Business classes and that the decrease for in-person sessions in 2020–2021 corresponded with the increase in Boots to Business classes and the COVID-19 disruption. SBA officials added that increases in online

sessions (2017–2020) and telephone sessions corresponded with the increase in new clients (as previously discussed).

Counseling Referrals

The number of counseling referrals VBOCs made to SBA resource partners (Small Business Development Centers, SCORE Business Mentoring, and Women’s Business Centers) reached 7,430 in fiscal year 2020 before falling to 4,441 in 2021 (see table 9). SBA officials stated that referrals increased during 2016–2017 as VBOC teams were integrated into the Boots to Business and Reboot programs. The decline in referrals in 2020–2021 occurred as the number of existing clients counseled declined during the same period.

Table 9: Number of Referrals to Resource Partners, SBA Veterans Business Outreach Center Program, Fiscal Years 2016–2021

Fiscal year	Number of referrals
2016	3,827
2017	6,214
2018	5,549
2019	6,405
2020	7,430
2021	4,411

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

Outreach Events

In fiscal years 2016–2021, VBOC participation in outreach events increased sharply from 149 to 642 (331 percent), including a spike in 2018 (see table 10). SBA officials noted that the agency expanded the number of VBOCs during this period and encouraged VBOCs to become part of their local communities and promote VBOC programs.

Table 10: Number of Outreach Events, SBA Veterans Business Center Outreach Program, Fiscal Years 2016–2021

Fiscal year	Number of outreach events
2016	149
2017	287
2018	863
2019	906

Fiscal year	Number of outreach events
2020	710
2021	642

Source: Small Business Administration (SBA) data. | GAO-24-106071

VBOCs Did Not Properly Complete Quarterly Performance Reports

SBA requires VBOCs to submit quarterly reports that provide information on their performance, budget, and challenges. If a VBOC fails to submit timely or adequate reports, SBA may withhold funding until this deficiency is corrected.³⁰ According to SBA officials, VBOCs were required in their 2021–2022 quarterly year-end reports to include metrics related to their Boots to Business sessions, Reboot sessions, total counseling sessions, training attendees (Boots to Business, Reboot, Non-Boots to Business), and outreach events. Specifically, VBOCs were to report (1) goals for the number of these activities and attendees for the reporting period, and (2) the extent to which they met the goals they set for the reporting period.

However, we found that 17 of 21 VBOCs did not properly complete year-end quarterly reports for the 2021–2022 reporting period.³¹ Seven VBOCs did not set goals for all required metrics. For example, five did not set goals for Reboot attendees, and four did not set goals for Boots to Business attendees. In addition, 17 VBOCs did not properly report the extent to which they met their goals for one or more required metrics. Another VBOC reported completing 115.79 percent of its goal for non-Boots to Business training attendees; the correct percentage was 105.87. For instance, one VBOC did not calculate the extent to which it met any of its required goals and did not report any performance information for the year-end quarter. SBA officials could not explain why some VBOCs were not fully complying with the quarterly reporting requirements.

³⁰Small Business Administration, *Veterans Business Outreach Center Program Standard Operating Procedure*, SOP 90 72 (Washington, D.C.: July 6, 2018). SBA also requires VBOCs to input performance data into Neoserra, a customer relationship management system designed for SBA-funded programs that serves as the system of record for VBOC program data.

³¹The 2021–2022 reporting period was from May 1, 2021, through April 30, 2022. The year-end report covers the quarter from February 1 to April 30, 2022. According to SBA officials, one of the 22 VBOCs had not submitted its year-end quarterly report for the 2021–2022 reporting period as of October 2023.

Federal internal control standards state that management should implement control activities through written policies. However, SBA does not have procedures in place designed to ensure VBOC compliance, such as specific procedures to follow up with VBOCs whose reporting was incomplete. Developing and implementing such controls would help provide reasonable assurance that VBOCs properly complete their quarterly reports, improving SBA’s ability to oversee and assess the VBOCs.

SBA Lending Programs and Policies Facilitate Veterans’ Access to Capital

Veterans Constituted from 2 to 5 Percent of Borrowers in SBA Loan Programs in 2016–2021

SBA provides small businesses with access to capital through its 7(a), 504, and Microloan lending programs, as previously described. According to our analysis of 2016–2021 SBA data, the proportion of program loans that veterans received ranged from 2.1 to 5.2 percent, depending on the program and year (see table 11). The total number and proportion of loans provided to veterans generally decreased during that period. For additional analysis, see appendix II.

Table 11: Number and Percentage of Loans Provided to Veterans for Three SBA Loan Programs, Fiscal Years 2016–2021

Number of loans to veterans (percentage of total)	2016	2017	2018	2019	2020	2021	Percent change, 2016–2021
7(a) program (percentage of total)	3,239 (5.1%)	3,274 (5.2%)	3,070 (5.1%)	2,489 (4.8%)	1,945 (4.6%)	2,182 (4.2%)	-32.6%
504 program (percentage of total)	232 (3.9)	185 (3.0)	153 (2.6)	126 (2.1)	195 (2.7)	243 (2.5)	4.7
Microloan program (percentage of total)	198 (4.4)	202 (4.1)	211 (3.9)	180 (3.3)	215 (3.7)	179 (4.0)	-9.6
Total – all programs (percentage of total)	3,669 (4.9)	3,661 (5.0)	3,434 (4.8)	2,795 (4.4)	2,355 (4.3)	2,604 (3.9)	-29

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

According to SBA officials, the COVID-19 pandemic significantly affected loan volume for the 7(a) and Microloan programs, including loans made to veterans, in fiscal years 2020 and 2021. SBA officials said loan volume for both programs was below projected volumes during those years, as

SBA worked to implement the Paycheck Protection Program and Restaurant Revitalization Fund during the pandemic.³²

Average loan amounts for veterans generally were lower than for nonveterans in the 7(a) and 504 loan programs in fiscal years 2016–2021. However, veterans averaged higher loans amounts in the Microloan program. Across all three programs, veterans were more likely than nonveterans to be in rural areas, and to use loans to fund new businesses (see table 12).³³

Table 12: Selected Loan and Borrower Characteristics by Veteran Status, SBA Loan Programs, Fiscal Years 2016–2021

Loan program	Average loan amount (dollars)		Percent of borrowers in rural areas		Percent of borrowers funding new businesses ^a	
	Veteran	Nonveteran	Veteran	Nonveteran	Veteran	Nonveteran
7(a)	\$359,690	\$477,975	20.1%	17.5%	17.6%	14.6%
504	669,907	823,104	21.7	16.8	18	12.8
Microloan	18,946	14,335	25.9	16.4	46.4	38.1

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

^aSBA began collecting data on whether its loans were funding new businesses in fiscal year 2018; therefore, the data in this column only cover fiscal years 2018–2021.

SBA Has Some Loan Policies That Benefit or Could Benefit Veterans

SBA’s 7(a) and 504 loan programs have policies that benefit or could benefit veteran borrowers. In addition, SBA has an equity measure and related targets for its loan programs focused on increasing access to

³²According to SBA data, SBA issued a total of roughly 11.9 million Paycheck Protection Programs loans and over 100,000 Restaurant Revitalization Fund grants in fiscal years 2020 and 2021. The Restaurant Revitalization Fund program was designed to provide support to businesses that suffered revenue losses related to the COVID-19 pandemic in 2021. See also GAO, *Restaurant Revitalization Fund: Opportunities Exist to Improve Oversight*, [GAO-22-105442](#) (Washington, D.C.: July 14, 2022).

³³Data for SBA’s 7(a) and 504 loan programs track four categories of business age: “change of ownership,” “existing or more than 2 years old,” “new business or 2 years or less,” and “startup, loan funds will open business.” Data for the Microloan program track two categories: “existing” and “startup.” Our analysis combines new businesses and startups from the 7(a) and 504 data with startups from the Microloan data.

capital for underserved groups, a category SBA has defined to include veteran-owned small businesses.³⁴

Loan Program Policies

7(a) SBA Express subprogram. SBA charges lenders a guaranty fee of up to 3.75 percent of the SBA-guaranteed portion of loans provided through the 7(a) program, which lenders are permitted to pass on to the borrower. According to SBA officials, lenders generally pass this fee to borrowers. SBA currently waives the guaranty fee for certain types of loans, including 7(a) SBA Express loans made to a business owned and controlled by a veteran or spouse of a veteran.³⁵ Absent a waiver, the maximum guaranty fee for 7(a) SBA Express loans is 2 percent for a loan of \$150,000 or less, and 3 percent for a loan between \$150,000 and \$500,000. We estimate this waiver may save an eligible veteran up to \$7,500 for a \$500,000 loan.

As shown in table 13, 7(a) SBA Express loans accounted for 35–51 percent of all 7(a) loans issued annually in fiscal years 2016–2021.³⁶ Veterans received from 4.3 to 5.4 percent of all 7(a) SBA Express loans issued in each year, which is comparable to veterans’ share of all 7(a) loans (shown in table 11).

³⁴SBA defines the underserved population to include Black or African American, Asian, Native Hawaiian or Other Pacific Islander, American Indian or Alaska Native, Hispanic or Latino, veteran, and women-owned small business owners, and businesses located in rural counties or within an area that meets the criteria of SBA’s Historically Underutilized Business Zone program.

³⁵SBA is statutorily prohibited from collecting a guaranty fee on 7(a) SBA Express loans made to a veteran or spouse of a veteran. 15 U.S.C. § 636(a)(31)(G). This provision was enacted in 2015, subject to an exception for fiscal years in which the 7(a) program was projected to operate at cost. See Veterans Entrepreneurship Act of 2015, Pub. L. No. 114-38, § 2, 129 Stat. 437. However, the exception was removed in 2020 pursuant to the CARES Act. Pub. L. No. 116-136, § 1102(d), 134 Stat. 281, 294 (2020). Separately, SBA waived the guaranty fee for all loans of \$1 million or less made through the 7(a) program for fiscal year 2024 (which ends on September 30, 2024). Small Business Administration, *7(a) Fees Effective October 1, 2023, for Fiscal Year 2024*, Information Notice 5000-848801 (Washington, D.C.: August 2023).

³⁶In fiscal years 2016–2021, 7(a) SBA Express loans also constituted from 6.3 to 9.1 percent of total 7(a) loan value.

Table 13: Number of 7(a) SBA Express Loans in Total and to Veterans, Fiscal Years 2016–2021

Category	2016	2017	2018	2019	2020	2021
Total number of 7(a) SBA Express loans (percentage of all 7(a) loans)	32,683 (51%)	29,521 (47.3%)	27,870 (46.2%)	22,828 (44%)	18,139 (42.9%)	18,109 (34.9%)
Number of 7(a) SBA Express loans to veterans (percentage of total 7(a) SBA Express loans)	1,637 (5)	1,600 (5.4)	1,357 (4.9)	1,081 (4.7)	929 (5.1)	783 (4.3)

Source: GAO analysis of Small Business Administration (SBA) data. | GAO-24-106071

7(a) Community Advantage subprogram. SBA’s Community Advantage subprogram requires participating lenders to provide at least 60 percent of their loans to underserved markets, which includes small businesses owned and controlled by veterans. Community Advantage loans accounted for 1.1–1.9 percent of all 7(a) loans issued annually in fiscal years 2016–2021 (see table 14). Of the 7(a) loans issued through this subprogram, veterans received from 6.2 to 10 percent each year. These percentages are higher than the portion of all 7(a) loans provided to veterans.

Table 14: Number of Community Advantage Loans in Total and to Veterans, Fiscal Years 2016–2021

Category	2016	2017	2018	2019	2020	2021
Total Community Advantage loans (percentage of all 7(a) loans)	988 (1.5%)	1,043 (1.7%)	1,118 (1.9%)	947 (1.8%)	538 (1.3%)	565 (1.1%)
Community Advantage loans to veterans (percentage of all Community Advantage loans)	69 (7%)	92 (8.8%)	112 (10%)	88 (9.3%)	47 (8.7%)	35 (6.2%)

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

504 program. Small businesses that apply for 504 loans must demonstrate that their projects will achieve at least one of a set of economic development objectives.³⁷ These objectives include public policy goals, such as expanding small businesses owned and controlled by veterans (especially service-disabled veterans).³⁸

³⁷These objectives are established by statute and regulation. See 15 U.S.C. § 695(d); 13 C.F.R. §§ 120.860-120.862.

³⁸A project that achieves a public policy goal is eligible if the CDC’s portfolio of 504 loans creates or retains an average of one job opportunity per \$90,000 guaranteed by SBA. 13 C.F.R. § 120.862(b); 88 Fed. Reg. 30,379 (May 11, 2023). Other public policy goals include the expansion of exports, expansion of small businesses owned and controlled by women, and aiding of rural development. 13 C.F.R. § 120.862.

According to SBA officials, CDCs use interviews to determine whether prospective borrowers will achieve one of the economic development objectives. The officials said CDCs’ expertise in economic development and the local economy also helps inform eligibility decisions. Officials said CDCs describe which goals a borrower’s project meets in a credit memorandum submitted with the 504 loan application.

Equity Measure for SBA Lending Programs

In fiscal year 2021, SBA established an equity measure to assess loans provided to underserved small businesses—including veteran-owned small businesses—through its 7(a), 504, and Microloan programs.³⁹ SBA used 2021 performance as a baseline. As table 15 shows, 79 percent of Microloan loans went to underserved groups in 2021, as did 42 percent of 7(a) loans and 32 percent of 504 loans. SBA aimed to increase the percentage of loans to underserved groups with higher annual targets for this measure in 2022 and 2023.

Table 15: Equity Measure Targets for SBA Loan Programs, Fiscal Years 2021–2023

Loan program	2021 baseline, percentage	2022 target, percentage	2023 target, percentage
7(a) program	42%	43%	68%
504 program	32	33	59
Microloan program	79	80	85

Source: Small Business Administration (SBA) data. | GAO-24-106071

Strategies related to this measure include developing loan policies that promote access to capital for all entrepreneurs and expanding the network of lenders for its programs. This measure is part of an overall strategic objective of ensuring all entrepreneurs have access to capital to start and grow their businesses. Officials with all six of the SBA district offices told us they focused on community outreach to achieve these goals. Some officials said they have made efforts to establish relationships with organizations that have connections to underserved communities.

SBA Does Not Have Procedures to Ensure Compliance with Some Statutory Requirements

³⁹Small Business Administration, *FY 2023 Congressional Budget Justification and FY 2021 Annual Performance Report* (Washington, D.C.: 2022): 29.

That Concern Veteran-Owned Small Businesses

SBA Does Not Have Policies and Procedures for Submitting a Required Report

We found that SBA does not have written policies and procedures for submitting an annual report to congressional committees and could not demonstrate compliance with the requirement in recent years. Section 603 of the Veterans Entrepreneurship and Small Business Development Act of 1999 (Veterans Entrepreneurship Act) requires SBA to submit a report annually to the Committees on Small Business and Veterans Affairs of the House of Representatives and of the Senate on the needs of small businesses owned and controlled by veterans and small businesses owned and controlled by service-disabled veterans.⁴⁰

The annual report must include information on

- the availability of SBA programs for such businesses and the degree of utilization by such businesses during the preceding 12-month period, including statistical information on such utilization compared to the small business community as a whole;
- the percentage and dollar value of federal contracts awarded to such businesses during the preceding 12-month period; and
- proposals to improve the access of such businesses to available assistance.

Officials in SBA's Office of Veterans Business Development told us that they were not aware of a specific SBA annual report on veteran-owned small businesses. The officials stated that the reporting requirement was met through various reports the agency submits, such as the Congressional Budget Justification, Annual Performance Report, and Annual Financial Report.⁴¹

However, officials did not identify all of the relevant reports or specify which information in the agency's reports satisfied the Section 603

⁴⁰Pub. L. No. 106-50, § 603, 113 Stat. 233, 248-49 (codified at 15 U.S.C. § 657b note).

⁴¹Officials also pointed to SBA's Government Wide Procurement Scorecard and Office of Advocacy reports.

reporting requirement. We examined a sample of the materials identified by SBA officials and found the materials did not include all the requisite information.⁴² For example, these materials lacked statistical information on how utilization of SBA programs—such as its lending programs—by veteran-owned small businesses in the preceding 12 months compared with utilization by the small business community as a whole.

Federal internal control standards state that agency management should design control activities to achieve objectives, including those established in laws and regulation.⁴³ These activities include the policies designed to achieve agency objectives, and can be further defined through day-to-day procedures. Internal control standards also state that management should use quality information to achieve the entity's objectives. Among other characteristics, quality information is current, complete, and accessible and provided on a timely basis. Information requirements consider the expectations of both internal and external users.

Without policies and procedures for complying with Section 603 of the Veterans Entrepreneurship Act, SBA lacks assurance that it is providing the relevant congressional committees with information on the needs of veteran-owned small businesses as and when required by law. As a result, the committees may not have the information they need to conduct oversight of SBA programs or take other actions that support veteran-owned small businesses.

SBA Does Not Have Policies and Procedures for Giving Veteran-Owned Small Businesses Special Consideration in Its Lending Programs

Congress amended Section 4(b) of the Small Business Act in 1974, to require SBA to give special consideration to veterans in carrying out its

⁴²The materials we reviewed consisted of SBA's Fiscal Year 2023 Congressional Budget Justification and Fiscal Year 2021 Annual Performance Report, Fiscal Year 2021 Annual Financial Report, Fiscal Year 2021 Small Business Procurement Scorecard, and veteran-related reports published by SBA's Office of Advocacy during fiscal year 2021.

⁴³See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

lending programs.⁴⁴ SBA adopted a regulation to implement this statutory requirement in 1975.⁴⁵ As amended, the regulation states that the agency will process the application of a business owned or controlled by a veteran promptly, resolve close questions in the applicant's favor, and pay particular attention to maximum loan maturity.⁴⁶

We found that SBA does not have written policies and procedures that explain how SBA staff or participating lenders should perform the activities described in the regulation when processing loan applications.⁴⁷ For example, standard operating procedures did not define what processing time is considered prompt within the meaning of the regulation.⁴⁸ These procedures also did not provide examples of close questions or guidance on how such questions can be resolved in favor of the applicant and made no mention of how to consider veteran status when determining loan maturity.⁴⁹

⁴⁴Act of Jan. 2, 1974, Pub. L. No. 93-237, § 8, 87 Stat. 1023, 1025 (codified as amended at 15 U.S.C. § 633(b)(1)). Specifically, SBA is required to give special consideration to veterans of the Armed Forces of the United States and their survivors or dependents in carrying out the programs administered by SBA, including its lending and guaranteeing functions.

⁴⁵40 Fed. Reg. 37,351 (Dec. 9, 1975). See also 39 Fed. Reg. 37,511 (Oct. 22, 1974); 40 Fed. Reg. 25,032 (June 12, 1975). SBA subsequently amended and recodified the regulation. See, e.g., 61 Fed. Reg. 3,226 (Jan. 31, 1996).

⁴⁶13 C.F.R. § 120.105. The regulation also provides for special consideration to a veteran's survivors or dependents in certain circumstances.

⁴⁷SBA may delegate to qualified 7(a) and 504 lenders the authority to process and approve loans on SBA's behalf under the Preferred Lender Program and Premier Certified Lender Program, respectively. Lenders with delegated authority have increased autonomy for processing and servicing loans issued through these programs. During fiscal years 2016–2021, SBA guaranteed 141,066 loans through the preferred program and 309 loans through the premier program. SBA officials said that SBA's implementing regulation does not apply to the Microloan program because SBA has no role in processing or approving loans made by intermediary lenders. According to program standard operating procedures, Microloan program intermediaries are responsible for determining whether a borrower is qualified to receive a microloan based on SBA's eligibility and program guidelines and its own lending policies. SBA does not review any Microloan applications.

⁴⁸For example, see Small Business Administration, *Lender and Development Company Loan Programs*, SOP 50 10 7 (Washington, D.C.: Aug. 1, 2023); and *Microloan Program*, SOP 52 00 B (Washington, D.C.: July 1, 2018).

⁴⁹Generally, the maturity date of a loan is the date by which the loan must be repaid in full.

SBA officials related the following information to us about applications in its lending programs:

- **Processing applications.** SBA officials stated that SBA's Loan Guaranty Processing Center uses a "first in, first out" system when processing loans. Officials described an informal policy whereby the processing center expedites veterans' applications in the event of a backlog. However, officials were unable to provide documentation of this policy or define the circumstances that would trigger it.
- **Close questions.** SBA officials stated they do not track "close questions" in their credit determinations for loans handled by the processing center. Officials could not provide examples of a close question being resolved in favor of a veteran applicant pursuant to this provision or define a close question.
- **Maximum loan maturity.** SBA officials stated they consider maximum loan maturity by ensuring the cash flow of an applicant's business is sufficient to cover payments on a prospective loan to its maturity. However, officials could not identify any ways the veteran status of a borrower would affect decisions related to loan maturity for loans provided through its lending programs.

SBA officials told us they believe written procedures for implementing the regulation are unnecessary, because they provide the flexibilities outlined therein to all borrowers. This raises questions about whether the activities described in the regulation are carrying out the agency's statutory duty to consider veterans in a manner that is "special." Officials pointed to other benefits veterans receive under SBA lending programs, such as the statutorily required 7(a) Express loan fee waiver discussed previously. However, officials could not provide formal documentation—such as a written policy—documenting the agency's determination that such practices constitute "special consideration" under the Small Business Act.⁵⁰

Federal internal control standards state that agency management should design control activities to achieve objectives, including those established in laws and regulation.⁵¹ Control activities include the policies designed to achieve agency objectives, and can be further defined through day-to-day procedures. Without documented policies and procedures designed to ensure compliance with Section 4(b)(1) of the Small Business Act and

⁵⁰§ 4(b)(1), 15 U.S.C. § 633(b)(1).

⁵¹See [GAO-14-704G](#).

SBA's implementing regulation, veterans may not receive the special consideration they are due in SBA's lending programs.

Conclusions

SBA has an important role to play in helping veteran entrepreneurs overcome the challenges they may face in accessing capital for their ventures. However, because some VBOCs have not always properly completed their required quarterly reports, SBA does not have full information on those centers' goals and success in meeting them. By developing and implementing policies and procedures for ensuring VBOC compliance with SBA reporting requirements, the agency would have better and more comprehensive information with which to oversee and assess the VBOC program.

SBA has a statutory responsibility to report annually to congressional committees on the needs of veterans-owned small businesses. However, the agency could not demonstrate compliance with this requirement in recent years and does not have policies and procedures in place to ensure future compliance. Developing such policies and procedures would help ensure the complete and timely delivery of the information identified in statute. In turn, this information could help Congress provide effective oversight of SBA's programs and take other actions to support veteran-owned small businesses.

SBA is statutorily required to give special consideration to veterans in carrying out its lending programs. Although SBA has issued an implementing regulation, it has not developed policies and procedures to ensure that SBA staff and participating lenders perform the activities described in the regulation. Developing and implementing such policies and procedures would help ensure SBA complies with the statutory requirement and provide better assurance that veterans receive the special consideration they are due.

Recommendations for Executive Action

We are making the following three recommendations to SBA:

The Administrator of SBA should ensure that the Associate Administrator of SBA's Office of Veterans Business Development develop and

implement policies and procedures for ensuring VBOCs' full compliance with quarterly year-end reporting requirements. (Recommendation 1)

The Administrator of SBA should ensure that the Associate Administrator of SBA's Office of Veterans Business Development develop and implement policies and procedures to ensure SBA's compliance with Section 603 of the Veterans Entrepreneurship and Business Development Act of 1999. (Recommendation 2)

The Administrator of SBA should ensure that the Associate Administrator of SBA's Office of Capital Access develop and implement policies and procedures to ensure SBA gives special consideration to veterans in its lending programs in accordance with the Small Business Act and SBA's implementing regulation. (Recommendation 3)

Agency Comments and Our Evaluation

We provided a draft of this report to SBA for comment. In its written comments, reproduced in appendix III, SBA concurred with our recommendations and cited actions to address them. For example, in response to our recommendation to ensure compliance with Section 603 of the Veterans Entrepreneurship and Small Business Development Act of 1999, SBA described plans to implement policies and procedures to submit an annual report to congressional committees. In response to our recommendation to ensure SBA gives special consideration to veterans in its lending programs in accordance with the Small Business Act and SBA's implementing regulation, SBA described incorporating specific guidance on special consideration to veterans in its lending platform and standard operating procedures.

SBA also provided technical comments, which we incorporated as appropriate.

We also provided a draft of report sections related to the SBSCS data to the Federal Reserve for its review and received no comments.

We are sending copies of this report to the appropriate congressional committees, the Administrator of the Small Business Administration, and the Chairman of the Board of Governors of the Federal Reserve System. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or garcia Diaz@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read "Daniel Garcia-Diaz", with a long horizontal flourish underneath.

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report (1) describes the characteristics of veteran-owned businesses and the challenges veteran business owners face in accessing capital in the private sector; (2) examines performance data the Small Business Administration (SBA) maintains on its Veterans Business Outreach Center (VBOC) program; (3) examines how SBA loan programs facilitate access to capital for veteran-owned businesses; and (4) assesses SBA's policies and procedures for ensuring compliance with selected statutory requirements concerning veteran-owned small businesses.

To describe the characteristics of veteran- and nonveteran-owned small businesses, we reviewed data from the American Business Survey (ABS) for 2017–2020, Nonemployer Statistics by Demographics for 2018–2019, and from Small Business Credit Survey (SBCS) for 2016–2022. We chose these time frames because they provided the most recent available data at the time our review began and included data from both before and during the COVID-19 pandemic.

The ABS, administered by the Bureau of the Census, surveys approximately 300,000 businesses annually, and provides information on the economic and demographic characteristics for employer businesses (those with paid employees). Although these data are for employers (businesses) of all sizes, small businesses constitute more than 99 percent of all businesses in the United States. Nonemployer Statistics by Demographics data, administered by Census, provide similar information for nonemployer businesses using existing administrative records to assign demographic and economic characteristics to nonemployer businesses. SBCS is a collaboration of all 12 Federal Reserve Banks. It provides information about the experience of small businesses, including information related to financial condition, credit risk of the businesses and other characteristics.

We reviewed data reliability documentation for all three data sources and deemed the data to be sufficiently reliable for describing business characteristics of veteran-owned small businesses. We also interviewed officials from the Federal Reserve Bank of Cleveland responsible for creating the SBCS instrument, administering the survey, and analyzing responses. Officials described their methods for structuring and

implementing the survey, including their methods for weighting the data, and distributing the instrument through partnerships with third-party organizations. We analyzed these data to develop descriptive statistics illustrating the experiences of veteran-owned small businesses.

To learn about challenges faced by veteran-owned small businesses and to discuss the VBOC program, we conducted interviews with stakeholder organizations and with all 22 organizations participating in the VBOC program in December 2022, and analyzed the results. We reviewed literature on the topic of veteran entrepreneurship, including studies performed by SBA, Federal Reserve Bank of New York, and the Institute for Veterans and Military Families at Syracuse University. We selected these studies because they provide information on the characteristics of veteran-owned businesses and the challenges veteran business owners face in accessing capital.

We held discussion groups with veteran entrepreneurs. To select participants for the sessions, we used VBOC performance data to identify the five active VBOCs with the highest number of associated SBA loans during fiscal years 2016–2021. We asked the selected VBOCs to identify veteran participants who had participated in at least one SBA training and education program and in its small business lending programs.

We created a structured discussion guide to facilitate these focus groups, which included questions on participating veterans' experiences accessing capital in the private market and participating in SBA counseling and training and lending programs. We then held four discussion groups with from one to five veterans each, for a total of 11 veteran business owners. Although we report our findings by the number of discussion groups in which a topic was discussed, this does not mean all discussion group participants agreed on a given topic. In addition, the opinions participants expressed may not represent the views of all veteran business owners.

For the second objective, we analyzed SBA data on VBOC performance in fiscal years 2016–2021. We reviewed VBOCs' quarterly year-end reports for the 2021–2022 reporting period to identify the performance goals they set and the extent to which they met the goals.¹ We also reviewed the VBOC program's standard operating procedures. We

¹The 2021–2022 reporting period was from May 1, 2021, through April 30, 2022. The year-end report covered the quarter from February 1 through April 30, 2022.

reviewed documentation related to SBA's data and determined them to be sufficiently reliable for describing VBOC performance in 2016–2021.

To describe how loan programs facilitate access to capital for veteran-owned small businesses, we reviewed program documentation for SBA's 7(a), 504, and Microloan programs. We reviewed the standard operating procedures for each program. Specifically, we reviewed Lender and Development Company Loan Programs (50 10 7), Microloan Program (52 00 B), and the Community Advantage Participant Guide (version 7.0). We also reviewed program administration forms such as the 7(a) and 504 loan applications, and related application addenda. We identified provisions related to veteran borrowers of these programs. We also reviewed SBA's 2018–2022 and 2020–2026 strategic planning documents and SBA's 2023 Congressional Budget Justification and 2021 SBA Agency Financial Report to identify any targets and goals SBA has for serving veteran borrowers through these loan programs. We interviewed SBA officials from the Office of Capital Access responsible for overseeing SBA's lending programs and six of the 68 SBA district offices. We selected sample district offices based on geographic region and the number of 7(a) and 504 loans provided to veterans in each region.

To describe the characteristics of 7(a), 504, and Microloan borrowers and their loan terms, we analyzed loan-level data for all three programs for fiscal years 2016–2021. We obtained loan-level data and the respective data dictionaries outlining variables included in the data production from SBA's Office of Capital Access. In total, SBA provided us with data on 404,581 individual loans spanning all three loan programs. These data include details on loan characteristics (such as gross approval amounts, loan terms, interest rates, and delivery method) and on borrower characteristics (such as business age, veteran status, gender, and race and ethnicity). To assess the reliability of loan-level data on borrower and loan characteristics, we interviewed agency officials knowledgeable about the data and reviewed relevant documentation. We also conducted electronic testing of the data, including checks for outliers, missing data, and out-of-range or erroneous values. We determined the data were sufficiently reliable for describing the characteristics of borrowers and loans they received through the 7(a), 504, and Microloan programs.

To compile data on veteran and nonveteran borrowers, we reviewed SBA's data dictionaries for response categories related to veteran status. The 7(a) and 504 loan programs used the same categories of responses to describe veteran status: nonveteran, other veteran, service-disabled veteran, and Vietnam-era veteran. In addition to those response options,

7(a) and 504 program data included a relatively small number of blank responses. Microloan program data provided different veteran response options: nonveteran, other veteran, service-disabled veteran, and unknown/not stated. Unknown/not stated responses for the Microloan program totaled 4,701. We combined data for all veteran categories into a single category to describe veteran borrowers in the report. We considered blank and unknown/not stated responses as nonveteran borrowers for purposes of our analysis.

To assess the extent to which SBA has policies and procedures to comply with selected statutory requirements—specifically, the requirement to give special consideration to veterans in Section 4(b)(1) of the Small Business Act and the reporting requirement in Section 603 of the Veterans Entrepreneurship and Small Business Development Act of 1999—we reviewed relevant laws, rules, and regulations. With respect to the requirement in Section 4(b)(1) of the Small Business Act, we reviewed the agency’s standard operating procedures for SBA lending programs (described previously) and interviewed agency officials with the Office of Capital Access and six SBA district offices who are responsible for implementing SBA’s lending programs. With respect to Section 603 of the Veterans Entrepreneurship and Small Business Development Act of 1999, we interviewed officials with the Office of Veterans Business Development and reviewed a sample of the reports identified by SBA officials, such as the Congressional Budget Justification, the Annual Financial Report, veteran-related reports published by the Office of Advocacy, and SBA’s Small Business Procurement Scorecard.

We conducted this performance audit from May 2022 to December 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

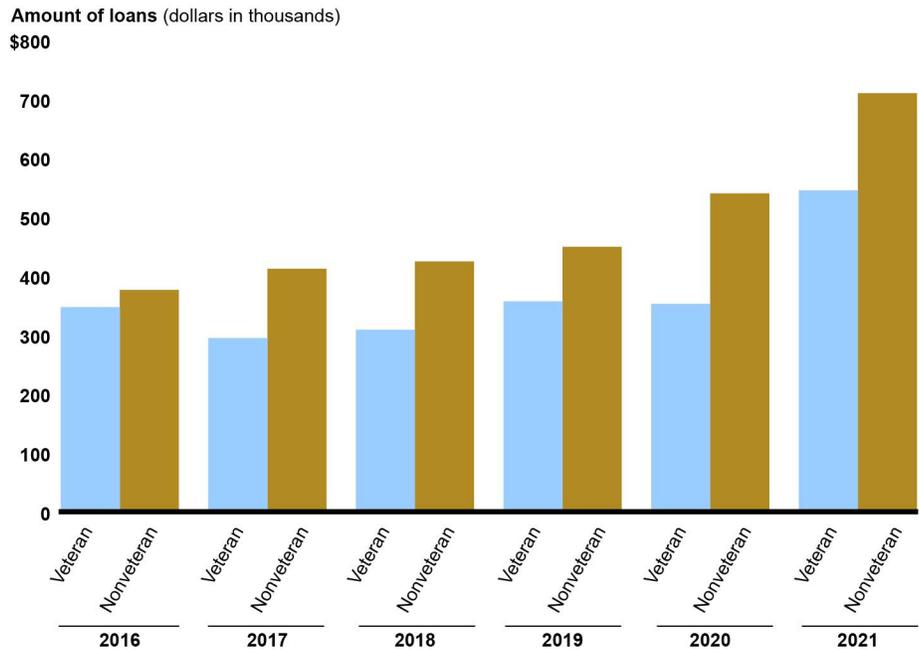
Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

In this appendix, we provide information on the number, total amount, and average amount of loans approved under the 7(a), 504, and Microloan programs, by veteran status, for fiscal years 2016–2021.

7(a) Program

The average amount of a 7(a) loan to both veterans and nonveterans increased during fiscal years 2016–2021. However, in each of those years, the average loan amount provided to nonveterans was higher than that provided to veterans (see fig. 6).

Figure 6: Average Loan Amount of 7(a) Loans by Veteran Status, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

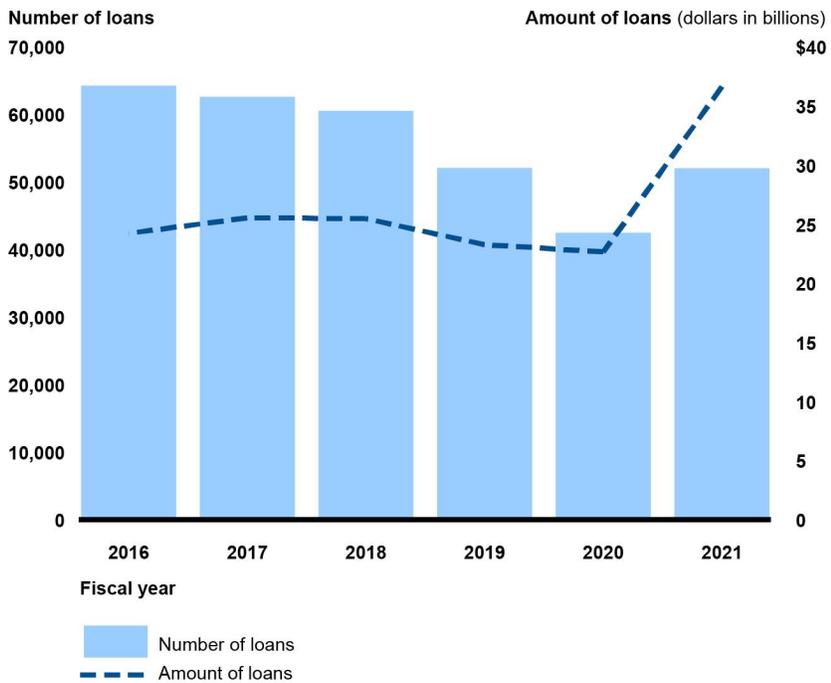
Accessible Data for Figure 6: Average Loan Amount of 7(a) Loans by Veteran Status, Fiscal Years 2016–2021

Fiscal year	Veteran (dollars in thousands)	Nonveteran (dollars in thousands)
2016	348.771	378.051
2017	296.178	413.783
2018	310.369	426.292
2019	358.55	450.916
2020	354.356	541.734
2021	546.643	711.519

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

The number of total 7(a) loans decreased during fiscal years 2016–2020, and then rose somewhat in 2021. The total amount of 7(a) loans remained flat during fiscal years 2016–2020 and then rose in 2021 (see fig. 7).

Figure 7: Total Number and Amount of 7(a) Loans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

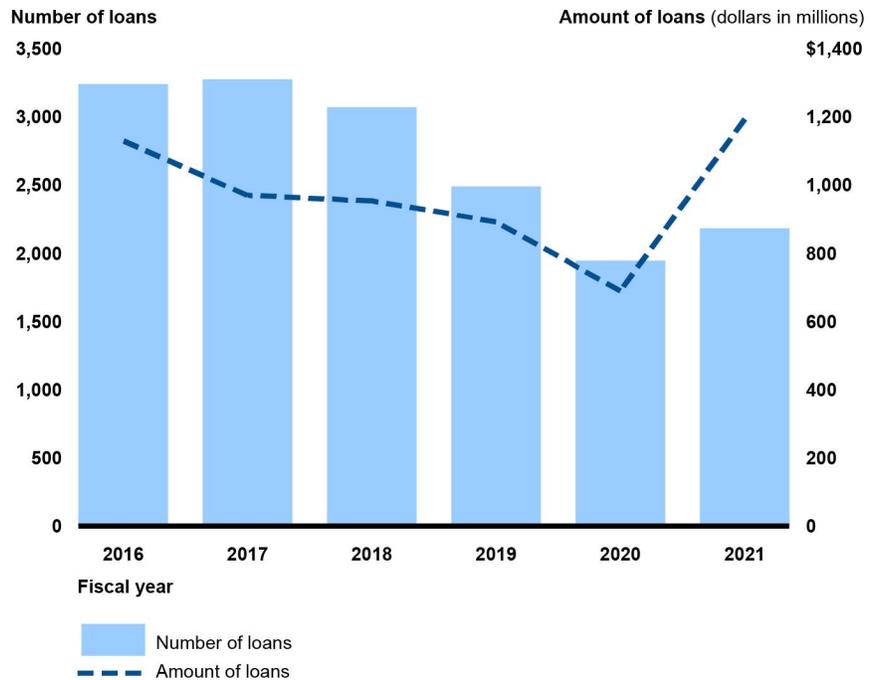
Accessible Data for Figure 7: Total Number and Amount of 7(a) Loans, Fiscal Years 2016–2021

Fiscal year	Amount of loans (dollars in billions)	Number of loans (dollars in billions)
2016	24.1284	64074
2017	25.4475	62430
2018	25.3725	60354
2019	23.1758	51907
2020	22.5498	42298
2021	36.5368	51856

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Lending specifically to veterans through the 7(a) program saw a similar pattern, with the number of loans and loan amount to veterans decreasing in 2016–2020, and then increasing in 2021 (see fig. 8).

Figure 8: Number and Amount of 7(a) Loans to Veterans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Accessible Data for Figure 8: Number and Amount of 7(a) Loans to Veterans, Fiscal Years 2016–2021

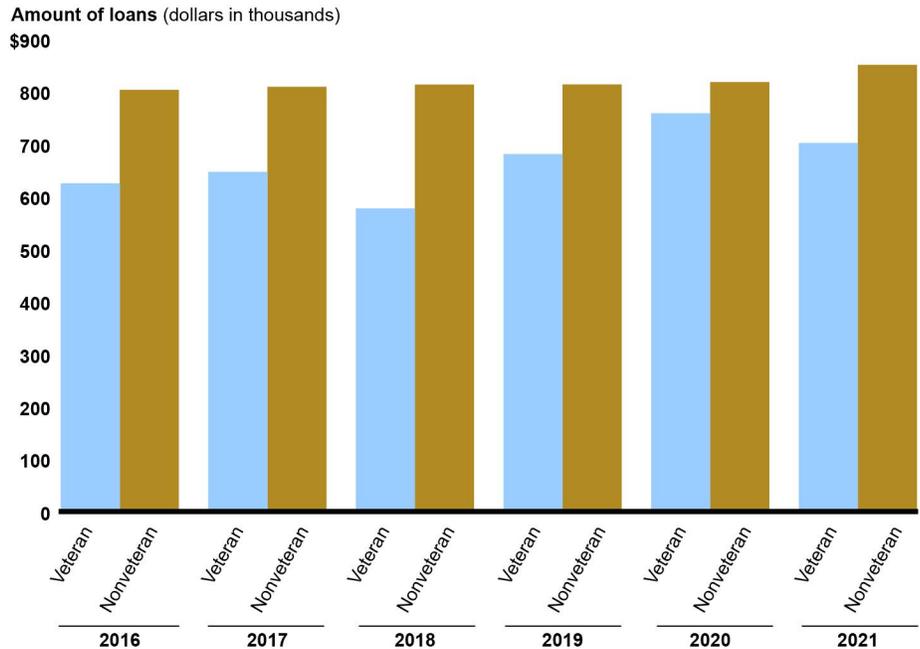
Fiscal year	Amount of loans (dollars in millions)	Number of loans (dollars in millions)
2016	1129.67	3239
2017	969.687	3274
2018	952.834	3070
2019	892.43	2489
2020	689.222	1945
2021	1192.78	2182

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

504 Program

As shown in figure 9, nonveterans received higher 504 program loan amounts on average than nonveterans in fiscal years 2016–2021.

Figure 9: Average Loan Amount of 504 Loans by Veteran Status, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

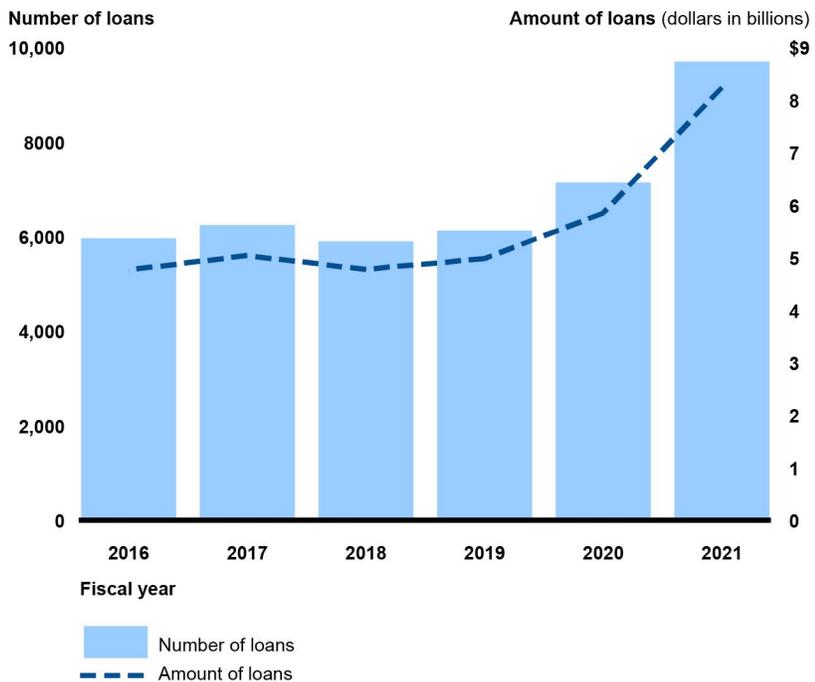
Accessible Data for Figure 9: Average Loan Amount of 504 Loans by Veteran Status, Fiscal Years 2016–2021

Fiscal year	Veteran (dollars in thousands)	Nonveteran (dollars in thousands)
2016"	627.293	805.214
2017"	649	811.148
2018"	579.261	815.42
2019"	683.095	815.751
2020"	760.641	820.127
2021"	703.934	853.074

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

The total number and amount of 504 loans remained fairly flat in fiscal years 2016–2019, and then increased in 2020–2021 (see fig. 10).

Figure 10: Total Number and Amount of 504 Loans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

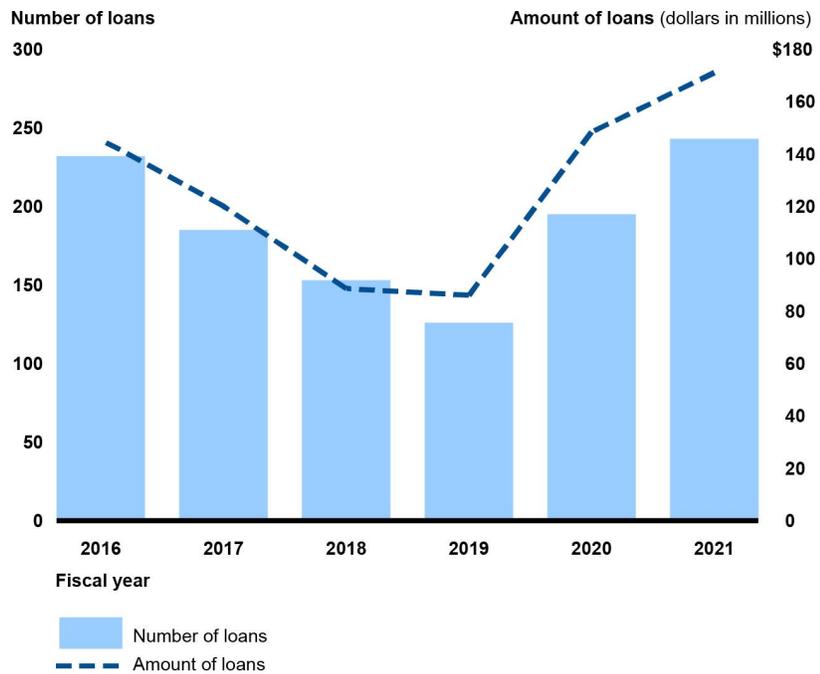
Accessible Data for Figure 10: Total Number and Amount of 504 Loans, Fiscal Years 2016–2021

Fiscal year	Amount of loans (dollars in billions)	Number of loans
2016"	4.74008	5938
2017"	5.01372	6218
2018"	4.75364	5874
2019"	4.95855	6099
2020"	5.82689	7119
2021"	8.21811	9676

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

The number and dollar amount of 504 loans specifically to veterans decreased in 2016–2019, then increased in 2020 and 2021 (see fig. 11).

Figure 11: Number and Amount of 504 Loans to Veterans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Accessible Data for Figure 11: Number and Amount of 504 Loans to Veterans, Fiscal Years 2016–2021

Fiscal year	Amount of loans (dollars in millions)	Number of loans
2016	145.532	232
2017	120.065	185
2018	88.627	153
2019	86.07	126
2020	148.325	195
2021	171.056	243

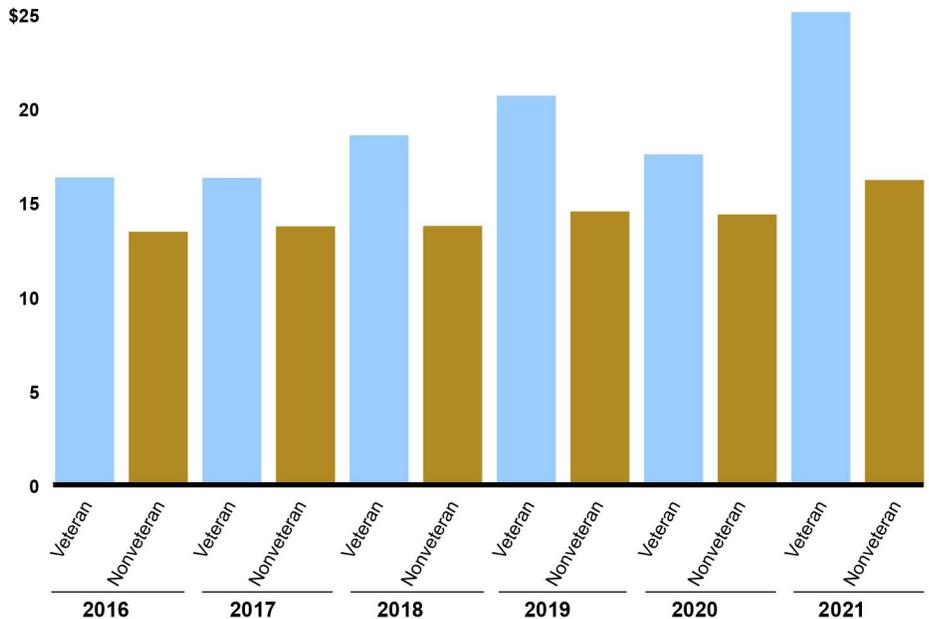
Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Microloan Program

In contrast to the 7(a) and 504 loan programs, the average loan amount provided to veterans through the Microloan program was higher than that provided to nonveterans (fig. 12).

Figure 12: Average Loan Amount of Microloans by Veteran Status, Fiscal Years 2016–2021

Amount of loans (dollars in thousands)



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

Accessible Data for Figure 12: Average Loan Amount of Microloans by Veteran Status, Fiscal Years 2016–2021

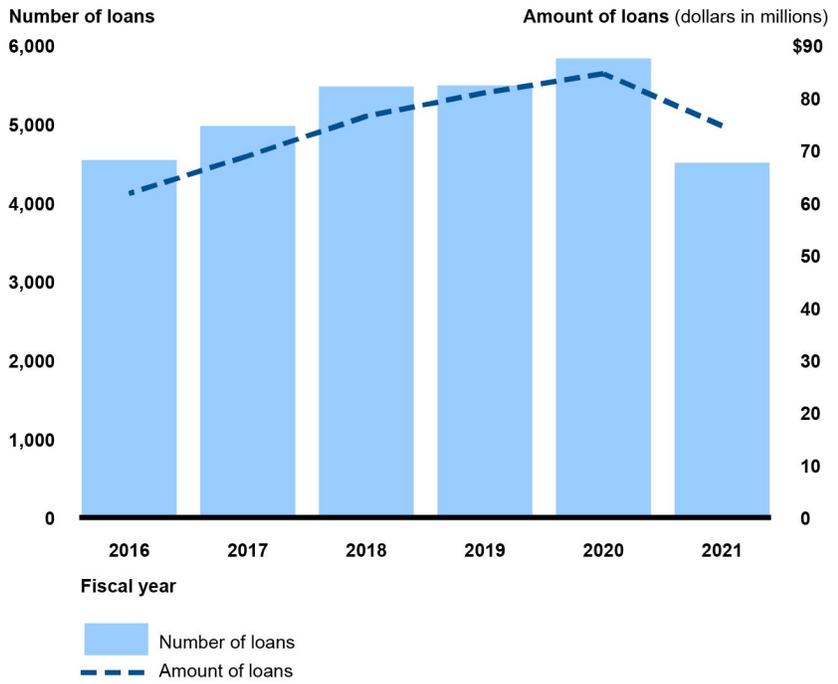
Fiscal year	Category	Amount of loans (dollars in thousands)
2016	Veteran	16.3443
2016	Non-veteran	13.4638
2017	Veteran	16.3217
2017	Non-veteran	13.7484
2018	Veteran	18.5807
2018	Non-veteran	13.7792
2019	Veteran	20.683
2019	Non-veteran	14.5452
2020	Veteran	17.5707
2020	Non-veteran	14.3815
2021	Veteran	25.1239
2021	Non-veteran	16.215

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Figure 13 show that the total number and dollar amount of loans provided through the Microloan program increased in fiscal year 2016–2020, and then decreased in 2021.

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

Figure 13: Total Number and Amount of Microloans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

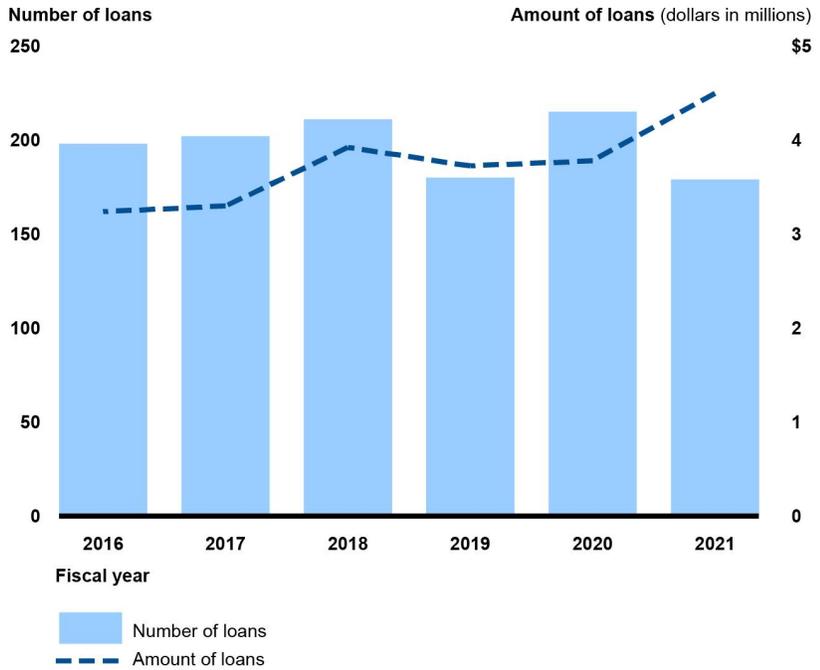
Accessible Data for Figure 13: Total Number and Amount of Microloans, Fiscal Years 2016–2021

Fiscal year	Amount of loans (dollars in millions)	Number of loans
2016	61.5345	4528
2017	68.7116	4960
2018	76.2752	5462
2019	80.7545	5476
2020	84.3571	5818
2021	74.4648	4494

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

As shown in figure 14, the number of microloans provided to veterans remained fairly flat during 2016–2021. The dollar amount of microloans provided to veterans fluctuated.

Figure 14: Number and Amount of Microloans to Veterans, Fiscal Years 2016–2021



Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix II: Data on 7(a), 504, and Microloan Programs, Fiscal Years 2016–2021

Accessible Data for Figure 14: Number and Amount of Microloans to Veterans, Fiscal Years 2016–2021

Fiscal year	Amount of loans (dollars in millions)	Number of loans
2016	3.23617	198
2017	3.29698	202
2018	3.92053	211
2019	3.72293	180
2020	3.7777	215
2021	4.49718	179

Source: GAO analysis of Small Business Administration data. | GAO-24-106071

Appendix III: Comments from the Small Business Administration

**Appendix III: Comments from the Small
Business Administration**



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

November 17, 2023

Bill Shear
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Mr. Shear:

Thank you for providing the U.S. Small Business Administration (SBA) with the opportunity to **comment on the Government Accountability Office (GAO) draft report title, “Small Business Administration Procedures for Reporting on Veteran-Owned Businesses Need Improvement” (24-106071).**

The draft examines capital access for veteran-owned small businesses and SBA’s role in serving these businesses. The report (1) describes characteristics of veteran-owned businesses and their challenges in accessing capital; (2) examines SBA performance data on its veteran outreach program; (3) examines SBA lending to veteran-owned small business in 2016-2021; and (4) assesses SBA policies and procedures for complying with certain statutory requirements concerning veterans. In its draft report, GAO issues two recommendations for the Office of Veteran Business Development (OVBD) and one recommendation for the Office of Capital Access (OCA).

Although GAO’s draft report highlights much of SBA’s robust outreach to veteran-owned businesses and detailed SBA’s multiple delivery methods to provide veteran-owned businesses access to capital, the draft report issued three recommendations: (1) **“The Administrator of SBA should ensure that the Associate Administrator of SBA’s Office of Veteran Business Development develop and implement policies and procedures for ensuring VBOC’s full compliance with quarterly year-end reporting requirements”;** (2) **“The Administrator of SBA should ensure that the Associate Administrator of SBA’s Office of Veteran Business Development develop and implement policies and procedures to ensure SBA’s compliance with section 603 of the Veterans Entrepreneurship and Business Development Act of 1999”;** and (3) **“The Administrator of SBA should ensure that the Associate Administrator of SBA’s Office of Capital Access develop and implement policies and procedures to ensure SBA gives special consideration to veterans in its lending programs in accordance with the Small Business Act and SBA’s implementing regulation.”** This comment letter will address SBA’s current and planned activities to remediate these recommendations.

Appendix III: Comments from the Small Business Administration

The Office of Veterans Business Development agrees with Recommendation #1 related to reporting requirements for VBOC grantees.

While the VBOC Quarterly Reports are not the system of record for tracking performance goals, we'll be taking the following actions to ensure consistency and minimize reporting errors and omissions in the quarterly reports.

1. Create a standardized performance goal summary template in Neoserra, the performance goal system of record, and require all VBOCs to submit with their quarterly reports.
2. Revise the VBOC SOP to include updated performance reporting requirements and performance goal definitions, to include business starts.

The Office of Veterans Business Development (OVBD) agrees with Recommendation #2 related to compliance with Section 603 of the Veterans Entrepreneurship and Small Business Development Act of 1999.

OVBD will implement policies and procedures to submit a report annually to the Committees on Small Business and Veterans Affairs of the House of Representatives and the Senate on the needs of small business concerns owned and controlled by veterans and small business concerns owned and controlled by service-disabled veterans.

The Office of Capital Access (OCA) agrees with Recommendation #3 related to the development and implementation of policies and procedures to ensure SBA gives special consideration to veterans in its lending programs in accordance with the Small Business Act and SBA's implementing regulation.

SBA made several improvements to the review and approval process that resulted in significant reductions to the review and approval for all loans. However, SBA agrees with the recommendation to provide the specific consideration guidance, in accordance with the Act and each of the provisions in the implementing regulation, 13 CFR 120.105, in written procedures to highlight these considerations for users. SBA is currently implementing advanced technology through a Unified Lending Platform and will work to incorporate specific special consideration to veterans through SOP and systems.

Sincerely,

JOHN MILLER
Digitally signed by JOHN MILLER
Date: 2023.11.16 16:54:36 -05'00'

John A. Miller
Deputy Associate Administrator
Office of Capital Access

Sincerely,



Timothy A. Green
Associate Administrator (Acting)
Office of Veterans Business Development

Accessible Text for Appendix III: Comments from the Small Business Administration

November 17, 2023

Bill Shear
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
Washington, D.C. 20548

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Sincerely,

John A Miller
Deputy Associate Administrator
Office of Capital Access

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-05'00'

Sincerely,

Timothy A. Green
Associate Administrator (Acting)
Office of Veterans Business Development

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Garcia-Diaz, (202) 512-8678 or garcia Diaz@gao.gov

Staff Acknowledgements

In addition to the contact named above, Marshall Hamlett (Assistant Director), Julie Trinder-Clements (Analyst in Charge), Chelsea Carter, Angelica Guarino, Evan Nemoff, Kirsten Noethen, Moon Park, Barbara Roesmann, Jena Sinkfield, and Andrew Stavisky made key contributions to this report.

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